

Calendar No. \_\_\_\_\_

106TH CONGRESS  
2D SESSION

**H.R. 1102**

**[Report No. 106-\_\_\_\_\_]**

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IN THE SENATE OF THE UNITED STATES

JULY 20, 2000

Received

JULY 27, 2000

Read the first time

SEPTEMBER 5, 2000

Read the second time and placed on the calendar; ordered referred to the  
Committee on Finance

SEPTEMBER \_\_\_\_ (legislative day, \_\_\_\_\_), 2000

Reported by Mr. ROTH, with an amendment and an amendment to the title

[Strike out all after the enacting clause and insert the part printed in italic]

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## **AN ACT**

To provide for pension reform, and for other purposes.

1       *Be it enacted by the Senate and House of Representa-*  
2       *tives of the United States of America in Congress assembled,*

1 **SECTION 1. SHORT TITLE; REFERENCES; TABLE OF CON-**  
 2 **TENTS.**

3 (a) *SHORT TITLE.*—*This Act may be cited as the “Re-*  
 4 *tirement Security and Savings Act of 2000”.*

5 (b) *AMENDMENT OF 1986 CODE.*—*Except as otherwise*  
 6 *expressly provided, whenever in this Act an amendment or*  
 7 *repeal is expressed in terms of an amendment to, or repeal*  
 8 *of, a section or other provision, the reference shall be consid-*  
 9 *ered to be made to a section or other provision of the Inter-*  
 10 *nal Revenue Code of 1986.*

11 (c) *TABLE OF CONTENTS.*—*The table of contents of this*  
 12 *Act is as follows:*

*Sec. 1. Short title; references; table of contents.*

**TITLE I—INDIVIDUAL RETIREMENT ACCOUNTS**

*Sec. 101. Modification of IRA contribution limits.*

*Sec. 102. Deemed IRAs under employer plans.*

*Sec. 103. Tax-free distributions from individual retirement accounts for chari-*  
*table purposes.*

*Sec. 104. Modification of AGI limits for Roth IRAs.*

**TITLE II—EXPANDING COVERAGE**

*Sec. 201. Increase in benefit and contribution limits.*

*Sec. 202. Plan loans for subchapter S owners, partners, and sole proprietors.*

*Sec. 203. Modification of top-heavy rules.*

*Sec. 204. Elective deferrals not taken into account for purposes of deduction lim-*  
*its.*

*Sec. 205. Repeal of coordination requirements for deferred compensation plans of*  
*State and local governments and tax-exempt organizations.*

*Sec. 206. Deduction limits.*

*Sec. 207. Option to treat elective deferrals as after-tax Roth contributions.*

*Sec. 208. Nonrefundable credit to certain individuals for elective deferrals and*  
*IRA contributions.*

*Sec. 209. Credit for qualified pension plan contributions of small employers.*

*Sec. 210. Credit for pension plan startup costs of small employers.*

**TITLE III—ENHANCING FAIRNESS FOR WOMEN**

*Sec. 301. Catch-up contributions for individuals age 50 or over.*

*Sec. 302. Equitable treatment for contributions of employees to defined contribu-*  
*tion plans.*

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- Sec. 303. Faster vesting of certain employer matching contributions.*
- Sec. 304. Simplify and update the minimum distribution rules.*
- Sec. 305. Clarification of tax treatment of division of section 457 plan benefits upon divorce.*
- Sec. 306. Provisions relating to hardship distributions.*
- Sec. 307. Waiver of tax on nondeductible contributions for domestic or similar workers.*

**TITLE IV—INCREASING PORTABILITY FOR PARTICIPANTS**

- Sec. 401. Rollovers allowed among various types of plans.*
- Sec. 402. Rollovers of IRAs into workplace retirement plans.*
- Sec. 403. Rollovers of after-tax contributions.*
- Sec. 404. Hardship exception to 60-day rule.*
- Sec. 405. Treatment of forms of distribution.*
- Sec. 406. Rationalization of restrictions on distributions.*
- Sec. 407. Purchase of service credit in governmental defined benefit plans.*
- Sec. 408. Employers may disregard rollovers for purposes of cash-out amounts.*
- Sec. 409. Minimum distribution and inclusion requirements for section 457 plans.*

**TITLE V—STRENGTHENING PENSION SECURITY AND ENFORCEMENT***Subtitle A—General Provisions*

- Sec. 501. Repeal of 155 percent of current liability funding limit.*
- Sec. 502. Maximum contribution deduction rules modified and applied to all defined benefit plans.*
- Sec. 503. Excise tax relief for sound pension funding.*
- Sec. 504. Treatment of multiemployer plans under section 415.*
- Sec. 505. Protection of investment of employee contributions to 401(k) plans.*
- Sec. 506. Periodic pension benefits statements.*
- Sec. 507. Prohibited allocations of stock in S corporation ESOP.*

*Subtitle B—Treatment of Plan Amendments Reducing Future Benefit Accruals*

- Sec. 521. Notice required for pension plan amendments having the effect of significantly reducing future benefit accruals.*
- Sec. 522. Protection of participants during conversions to cash balance or other hybrid defined benefit plans.*
- Sec. 523. Effective dates.*

**TITLE VI—REDUCING REGULATORY BURDENS**

- Sec. 601. Modification of timing of plan valuations.*
- Sec. 602. ESOP dividends may be reinvested without loss of dividend deduction.*
- Sec. 603. Repeal of transition rule relating to certain highly compensated employees.*
- Sec. 604. Employees of tax-exempt entities.*
- Sec. 605. Clarification of treatment of employer-provided retirement advice.*
- Sec. 606. Reporting simplification.*
- Sec. 607. Improvement of employee plans compliance resolution system.*
- Sec. 608. Repeal of the multiple use test.*
- Sec. 609. Flexibility in nondiscrimination, coverage, and line of business rules.*

- Sec. 610. Extension to all governmental plans of moratorium on application of certain nondiscrimination rules applicable to State and local plans.*
- Sec. 611. Notice and consent period regarding distributions.*
- Sec. 612. Annual report dissemination.*
- Sec. 613. Technical corrections to SAVER Act.*
- Sec. 614. Studies.*

*TITLE VII—PLAN AMENDMENTS*

- Sec. 701. Provisions relating to plan amendments.*

*TITLE VIII—COMPLIANCE WITH BUDGET ACT.*

- Sec. 801. Compliance with Budget Act.*

1                   ***TITLE I—INDIVIDUAL***  
2                   ***RETIREMENT ACCOUNTS***

3   ***SEC. 101. MODIFICATION OF IRA CONTRIBUTION LIMITS.***

4           (a) *INCREASE IN CONTRIBUTION LIMIT.—*

5                   (1) *IN GENERAL.—Paragraph (1)(A) of section*  
6                   *219(b) (relating to maximum amount of deduction) is*  
7                   *amended by striking “\$2,000” and inserting “the de-*  
8                   *ductible amount”.*

9                   (2) *DEDUCTIBLE AMOUNT.—Section 219(b) is*  
10                  *amended by adding at the end the following new*  
11                  *paragraph:*

12                   “(5) *DEDUCTIBLE AMOUNT.—For purposes of*  
13                   *paragraph (1)(A)—*

14                           “(A) *IN GENERAL.—The deductible amount*  
15                           *shall be determined in accordance with the fol-*  
16                           *lowing table:*

<b><i>“For taxable years beginning in:</i></b>	<b><i>The deductible amount is:</i></b>
<i>2001 .....</i>	<i>\$3,000</i>
<i>2002 .....</i>	<i>\$4,000</i>
<i>2003 and thereafter .....</i>	<i>\$5,000.</i>

1                   “(B) *CATCH-UP CONTRIBUTIONS FOR INDIVIDUALS 50 OR OLDER.*—*In the case of an individual who has attained the age of 50 before the close of the taxable year, the deductible amount for such taxable year shall be an amount equal to 150 percent of such amount determined without regard to this subparagraph.*

8                   “(C) *COST-OF-LIVING ADJUSTMENT.*—

9                   “(i) *IN GENERAL.*—*In the case of any taxable year beginning in a calendar year after 2003, the \$5,000 amount under subparagraph (A) shall be increased by an amount equal to—*

14                   “(I) *such dollar amount, multiplied by*

16                   “(II) *the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the taxable year begins, determined by substituting ‘calendar year 2002’ for ‘calendar year 1992’ in subparagraph (B) thereof.*

22                   “(ii) *ROUNDING RULES.*—*If any amount after adjustment under clause (i) is not a multiple of \$500, such amount shall*

1                   be rounded to the next lower multiple of  
2                   \$500.”.

3           (b) *INCREASE IN AGI LIMITS FOR ACTIVE PARTICI-*  
4 *PANTS.*—

5           (1) *JOINT RETURNS.*—*The table in clause (i) of*  
6 *section 219(g)(3)(B) (relating to applicable dollar*  
7 *amount) is amended to read as follows:*

<b><i>“For taxable years beginning in calendar year:</i></b>	<b><i>The applicable dollar amount:</i></b>
<i>2001 .....</i>	<i>\$56,000</i>
<i>2002 .....</i>	<i>\$60,000</i>
<i>2003 .....</i>	<i>\$64,000</i>
<i>2004 .....</i>	<i>\$68,000</i>
<i>2005 .....</i>	<i>\$72,000</i>
<i>2006 .....</i>	<i>\$76,000</i>
<i>2007 or thereafter .....</i>	<i>\$80,000.”.</i>

8           (2) *OTHER TAXPAYERS.*—*Section 219(g)(3)(B)*  
9 *(relating to applicable dollar amount) is amended by*  
10 *striking clauses (ii) and (iii) and inserting the fol-*  
11 *lowing:*

12                   “*(ii) In the case of any other taxpayer:*

<b><i>“For taxable years beginning in calendar year:</i></b>	<b><i>The applicable dollar amount:</i></b>
<i>2001 .....</i>	<i>\$36,000</i>
<i>2002 .....</i>	<i>\$40,000</i>
<i>2003 .....</i>	<i>\$44,000</i>
<i>2004 .....</i>	<i>\$48,000</i>
<i>2005 or thereafter .....</i>	<i>\$50,000.”.</i>

13           (c) *CONFORMING AMENDMENTS.*—

14           (1) *Section 408(a)(1) is amended by striking “in*  
15 *excess of \$2,000 on behalf of any individual” and in-*  
16 *serting “on behalf of any individual in excess of the*

1       *amount in effect for such taxable year under section*  
2       *219(b)(1)(A)”.*

3           (2) *Section 408(b)(2)(B) is amended by striking*  
4       *“\$2,000” and inserting “the dollar amount in effect*  
5       *under section 219(b)(1)(A)”.*

6           (3) *Section 408(b) is amended by striking*  
7       *“\$2,000” in the matter following paragraph (4) and*  
8       *inserting “the dollar amount in effect under section*  
9       *219(b)(1)(A)”.*

10          (4) *Section 408(j) is amended by striking*  
11       *“\$2,000”.*

12          (5) *Section 408(p)(8) is amended by striking*  
13       *“\$2,000” and inserting “the dollar amount in effect*  
14       *under section 219(b)(1)(A)”.*

15        (d) *EFFECTIVE DATE.—The amendments made by this*  
16 *section shall apply to taxable years beginning after Decem-*  
17 *ber 31, 2000.*

18   **SEC. 102. DEEMED IRAS UNDER EMPLOYER PLANS.**

19        (a) *IN GENERAL.—Section 408 (relating to individual*  
20 *retirement accounts) is amended by redesignating sub-*  
21 *section (q) as subsection (r) and by inserting after sub-*  
22 *section (p) the following new subsection:*

23        “(q) *DEEMED IRAS UNDER QUALIFIED EMPLOYER*  
24 *PLANS.—*

25           “(1) *GENERAL RULE.—If—*

1           “(A) a qualified employer plan elects to  
2           allow employees to make voluntary employee  
3           contributions to a separate account or annuity  
4           established under the plan, and

5           “(B) under the terms of the qualified em-  
6           ployer plan, such account or annuity meets the  
7           applicable requirements of this section or section  
8           408A for an individual retirement account or  
9           annuity,  
10          then such account or annuity shall be treated for pur-  
11          poses of this title in the same manner as an indi-  
12          vidual retirement plan and not as a qualified em-  
13          ployer plan (and contributions to such account or an-  
14          nuity as contributions to an individual retirement  
15          plan and not to the qualified employer plan). For  
16          purposes of subparagraph (B), the requirements of  
17          subsection (a)(5) shall not apply.

18          “(2) *SPECIAL RULES FOR QUALIFIED EMPLOYER*  
19          *PLANS.*—For purposes of this title, a qualified em-  
20          ployer plan shall not fail to meet any requirement of  
21          this title solely by reason of establishing and main-  
22          taining a program described in paragraph (1).

23          “(3) *DEFINITIONS.*—For purposes of this  
24          subsection—



1           “(A) *QUALIFIED EMPLOYER PLAN.*—The  
2           term ‘qualified employer plan’ has the meaning  
3           given such term by section 72(p)(4); except such  
4           term shall only include an eligible deferred com-  
5           pensation plan (as defined in section 457(b))  
6           which is maintained by an eligible employer de-  
7           scribed in section 457(e)(1)(A).

8           “(B) *VOLUNTARY EMPLOYEE CONTRIBU-*  
9           *TION.*—The term ‘voluntary employee contribu-

10          tion’ means any contribution (other than a man-

11          datory contribution within the meaning of sec-

12          tion 411(c)(2)(C))—

13               “(i) which is made by an individual as  
14              an employee under a qualified employer  
15              plan which allows employees to elect to  
16              make contributions described in paragraph  
17              (1), and

18               “(ii) with respect to which the indi-  
19              vidual has designated the contribution as a  
20              contribution to which this subsection ap-  
21              plies.”.

22          (b) *AMENDMENT OF ERISA.*—

23               (1) *IN GENERAL.*—Section 4 of the *Employee Re-*  
24              *tirement Income Security Act of 1974* (29 U.S.C.

1       1003) is amended by adding at the end the following  
2       new subsection:

3       “(c) If a pension plan allows an employee to elect to  
4       make voluntary employee contributions to accounts and an-  
5       nuities as provided in section 408(q) of the Internal Rev-  
6       enue Code of 1986, such accounts and annuities (and con-  
7       tributions thereto) shall not be treated as part of such plan  
8       (or as a separate pension plan) for purposes of any provi-  
9       sion of this title other than section 403(c), 404, or 405 (re-  
10      lating to exclusive benefit, and fiduciary and co-fiduciary  
11      responsibilities).”.

12               (2) *CONFORMING AMENDMENT.*—Section 4(a) of  
13      such Act (29 U.S.C. 1003(a)) is amended by inserting  
14      “or (c)” after “subsection (b)”.

15               (c) *EFFECTIVE DATE.*—The amendments made by this  
16      section shall apply to plan years beginning after December  
17      31, 2001.

18      **SEC. 103. TAX-FREE DISTRIBUTIONS FROM INDIVIDUAL RE-**  
19                               **TIREMENT ACCOUNTS FOR CHARITABLE PUR-**  
20                               **POSES.**

21               (a) *IN GENERAL.*—Subsection (d) of section 408 (relat-  
22      ing to individual retirement accounts) is amended by add-  
23      ing at the end the following new paragraph:

24                       “(8) *DISTRIBUTIONS FOR CHARITABLE PUR-*  
25      *POSES.*—

1           “(A) *IN GENERAL.*—*In the case of a quali-*  
2           *fied charitable distribution from an individual*  
3           *retirement account to an organization described*  
4           *in section 170(c), no amount shall be includible*  
5           *in the gross income of the account holder or bene-*  
6           *ficiary.*

7           “(B) *SPECIAL RULES RELATING TO CHARIT-*  
8           *TABLE REMAINDER TRUSTS, POOLED INCOME*  
9           *FUNDS, AND CHARITABLE GIFT ANNUITIES.*—

10           “(i) *IN GENERAL.*—*In the case of a*  
11           *qualified charitable distribution from an in-*  
12           *dividual retirement account—*

13                   “(I) *to a charitable remainder an-*  
14                   *nuity trust or a charitable remainder*  
15                   *unitrust (as such terms are defined in*  
16                   *section 664(d)),*

17                   “(II) *to a pooled income fund (as*  
18                   *defined in section 642(c)(5)), or*

19                   “(III) *for the issuance of a chari-*  
20                   *table gift annuity (as defined in sec-*  
21                   *tion 501(m)(5)),*

22           *no amount shall be includible in gross in-*  
23           *come of the account holder or beneficiary.*

24           *The preceding sentence shall apply only if*  
25           *no person holds any interest in the amounts*

1           *in the trust, fund, or annuity attributable*  
2           *to such distribution other than one or more*  
3           *of the following: the individual for whose*  
4           *benefit such account is maintained, the*  
5           *spouse of such individual, or any organiza-*  
6           *tion described in section 170(c).*

7           “(ii) *DETERMINATION OF INCLUSION*  
8           *OF AMOUNTS DISTRIBUTED.—In deter-*  
9           *mining the amount includible in the gross*  
10           *income of the distributee of a distribution*  
11           *from a trust described in clause (i)(I) or an*  
12           *annuity (as described in clause (i)(III)), the*  
13           *portion of any qualified charitable distribu-*  
14           *tion to such trust or for such annuity which*  
15           *would (but for this subparagraph) have been*  
16           *includible in gross income—*

17                   “(I) *in the case of any such trust,*  
18                   *shall be treated as income described in*  
19                   *section 664(b)(1), or*

20                   “(II) *in the case of any such an-*  
21                   *nuity, shall not be treated as an invest-*  
22                   *ment in the contract.*

23           “(iii) *NO INCLUSION FOR DISTRIBUTION TO POOLED INCOME FUND.—No*  
24           *amount shall be includible in the gross in-*  
25

1           *come of a pooled income fund (as so de-*  
2           *finied) by reason of a qualified charitable*  
3           *distribution to such fund.*

4           “(C) *QUALIFIED CHARITABLE DISTRIBUTION.*—*For purposes of this paragraph, the term*  
5           *‘qualified charitable distribution’ means any dis-*  
6           *tribution from an individual retirement*  
7           *account—*

9                   “(i) *which is made on or after the date*  
10           *that the individual for whose benefit the ac-*  
11           *count is maintained has attained age 70½,*  
12           *and*

13                   “(ii) *which is a charitable contribution*  
14           *(as defined in section 170(c)) made directly*  
15           *from the account to—*

16                   “(I) *an organization described in*  
17           *section 170(c), or*

18                   “(II) *a trust, fund, or annuity de-*  
19           *scribed in subparagraph (B).*

20           “(D) *DENIAL OF DEDUCTION.*—*The amount*  
21           *allowable as a deduction to the taxpayer for the*  
22           *taxable year under section 170 for qualified*  
23           *charitable distributions shall be reduced (but not*  
24           *below zero) by the sum of the amounts of the*  
25           *qualified charitable distributions during such*

1           year which (but for this paragraph) would have  
2           been includible in the gross income of the tax-  
3           payer for such year.”.

4           (b) *EFFECTIVE DATE*.—The amendment made by sub-  
5           section (a) shall apply to taxable years beginning after De-  
6           cember 31, 2000.

7           **SEC. 104. MODIFICATION OF AGI LIMITS FOR ROTH IRAS.**

8           (a) *INCREASE IN AGI LIMIT FOR ROTH IRA CON-*  
9           *TRIBUTIONS*.—

10           (1) *IN GENERAL*.—Section 408A(c)(3)(C)(ii) (re-  
11           lating to limits based on modified adjusted gross in-  
12           come) is amended to read as follows:

13                           “(ii) the applicable dollar amount is—

14   “(I) in the case of a taxpayer fil-  
15   ing a joint return, \$190,000, and

16   “(II) in the case of any other tax-  
17   payer, \$95,000.”.

18           (2) *PHASEOUT AMOUNT*.—Clause (ii) of section  
19           408A(c)(3)(A) is amended to read as follows:

20                           “(ii) \$15,000 (\$30,000 in the case of a  
21                           joint return).”

22           (b) *INCREASE IN AGI LIMIT FOR ROTH IRA CONVER-*  
23           *SIONS*.—Section 408A(c)(3)(B) (relating to rollover from  
24           IRA) is amended by striking “relates” and all that follows

1 *and inserting “relates, the taxpayer’s adjusted gross income*  
2 *exceeds \$100,000 (\$200,000 in the case of a joint return).”.*

3 *(c) CONFORMING AMENDMENT.—Section 408A(c)(3) is*  
4 *amended by striking subparagraph (D).*

5 *(d) EFFECTIVE DATE.—The amendments made by this*  
6 *section shall apply to taxable years beginning after Decem-*  
7 *ber 31, 2000.*

## 8 ***TITLE II—EXPANDING*** 9 ***COVERAGE***

### 10 ***SEC. 201. INCREASE IN BENEFIT AND CONTRIBUTION LIM-*** 11 ***ITS.***

12 *(a) DEFINED BENEFIT PLANS.—*

13 *(1) DOLLAR LIMIT.—*

14 *(A) Subparagraph (A) of section 415(b)(1)*  
15 *(relating to limitation for defined benefit plans)*  
16 *is amended by striking “\$90,000” and inserting*  
17 *“\$160,000”.*

18 *(B) Subparagraphs (C) and (D) of section*  
19 *415(b)(2) are each amended by striking*  
20 *“\$90,000” each place it appears in the headings*  
21 *and the text and inserting “\$160,000”.*

22 *(C) Paragraph (7) of section 415(b) (relat-*  
23 *ing to benefits under certain collectively bar-*  
24 *gained plans) is amended by striking “the great-*  
25 *er of \$68,212 or one-half the amount otherwise*

1 applicable for such year under paragraph (1)(A)  
2 for “\$90,000” and inserting “one-half the  
3 amount otherwise applicable for such year under  
4 paragraph (1)(A) for “\$160,000”.

5                   (2) *LIMIT REDUCED WHEN BENEFIT BEGINS BE-*  
6                   *FORE AGE 62.*—*Subparagraph (C) of section 415(b)(2)*  
7                   *is amended by striking “the social security retirement*  
8                   *age” each place it appears in the heading and text*  
9                   *and inserting “age 62” and by striking the second*  
10                   *sentence.*

11 (3) *LIMIT INCREASED WHEN BENEFIT BEGINS*  
12 *AFTER AGE 65.—Subparagraph (D) of section*  
13 *415(b)(2) is amended by striking “the social security*  
14 *retirement age” each place it appears in the heading*  
15 *and text and inserting “age 65”.*

16 (4) *COST-OF-LIVING ADJUSTMENTS.*—Subsection  
17 (d) of section 415 (related to cost-of-living adjust-  
18 ments) is amended—

19 (A) by striking “\$90,000” in paragraph  
20 (1)(A) and inserting “\$160,000”; and

21 (B) in paragraph (3)(A)—

(i) by striking “\$90,000” in the heading and inserting “\$160,000”; and

(ii) by striking “October 1, 1986” and inserting “July 1, 2000”.



1           (5) *CONFORMING AMENDMENTS.*—

2                   (A) *Section 415(b)(2) is amended by strik-*  
3                   *ing subparagraph (F).*

4                   (B) *Section 415(b)(9) is amended to read as*  
5                   *follows:*

6                           “(9) *SPECIAL RULE FOR COMMERCIAL AIR-*  
7                           *LINE PILOTS.—In the case of any participant*  
8                           *who is a commercial airline pilot, if, as of the*  
9                           *time of the participant’s retirement, regulations*  
10                           *prescribed by the Federal Aviation Administra-*  
11                           *tion require an individual to separate from serv-*  
12                           *ice as a commercial airline pilot after attaining*  
13                           *any age occurring on or after age 60 and before*  
14                           *age 62, paragraph (2)(C) (after application of*  
15                           *clause (i)) shall be applied by substituting such*  
16                           *age for age 62.”.*

17                   (C) *Section 415(b)(10)(C)(i) is amended by*  
18                   *striking “applied without regard to paragraph*  
19                   *(2)(F)”.*

20           (b) *QUALIFIED TRUSTS.*—

21                   (1) *COMPENSATION LIMIT.*—*Sections 401(a)(17),*  
22                   *404(l), 408(k), and 505(b)(7) are each amended by*  
23                   *striking “\$150,000” each place it appears and insert-*  
24                   *ing “\$200,000”.*

1           (2) *BASE PERIOD AND ROUNDING OF COST-OF-*  
 2           *LIVING ADJUSTMENT.*—Subparagraph (B) of section  
 3           401(a)(17) is amended—

4                     (A) by striking “October 1, 1993” and in-  
 5                     serting “July 1, 2000”; and

6                     (B) by striking “\$10,000” both places it ap-  
 7                     pears and inserting “\$5,000”.

8           (c) *ELECTIVE DEFERRALS.*—

9                     (1) *IN GENERAL.*—Paragraph (1) of section  
 10           402(g) (relating to limitation on exclusion for elective  
 11           deferrals) is amended to read as follows:

12                     “(1) *IN GENERAL.*—

13                             “(A) *LIMITATION.*—Notwithstanding sub-  
 14                             sections (e)(3) and (h)(1)(B), the elective defer-  
 15                             rals of any individual for any taxable year shall  
 16                             be included in such individual’s gross income to  
 17                             the extent the amount of such deferrals for the  
 18                             taxable year exceeds the applicable dollar  
 19                             amount.

20                             “(B) *APPLICABLE DOLLAR AMOUNT.*—For  
 21                             purposes of subparagraph (A), the applicable  
 22                             dollar amount shall be the amount determined in  
 23                             accordance with the following table:

<b>“For taxable years beginning in calendar year:</b>	<b>The applicable dollar amount:</b>
2001 .....	\$11,000
2002 .....	\$12,000

2003 .....	\$13,000
2004 .....	\$14,000
2005 or thereafter .....	\$15,000.”.

1           (2) *COST-OF-LIVING ADJUSTMENT.—Paragraph*  
2           (5) *of section 402(g) is amended to read as follows:*

3           “*(5) COST-OF-LIVING ADJUSTMENT.—In the case*  
4           *of taxable years beginning after December 31, 2005,*  
5           *the Secretary shall adjust the \$15,000 amount under*  
6           *paragraph (1)(B) at the same time and in the same*  
7           *manner as under section 415(d), except that the base*  
8           *period shall be the calendar quarter beginning July 1,*  
9           *2004, and any increase under this paragraph which*  
10           *is not a multiple of \$500 shall be rounded to the next*  
11           *lowest multiple of \$500.”.*

12           (3) *CONFORMING AMENDMENTS.—*

13           (A) *Section 402(g) (relating to limitation*  
14           *on exclusion for elective deferrals), as amended*  
15           *by paragraphs (1) and (2), is further amended*  
16           *by striking paragraph (4) and redesignating*  
17           *paragraphs (5), (6), (7), (8), and (9) as para-*  
18           *graphs (4), (5), (6), (7), and (8), respectively.*

19           (B) *Paragraph (2) of section 457(c) is*  
20           *amended by striking “402(g)(8)(A)(iii)” and in-*  
21           *serting “402(g)(7)(A)(iii)”.*

22           (C) *Clause (iii) of section 501(c)(18)(D) is*  
23           *amended by striking “(other than paragraph (4)*  
24           *thereof)”.*

1       (d) *DEFERRED COMPENSATION PLANS OF STATE AND*  
 2 *LOCAL GOVERNMENTS AND TAX-EXEMPT ORGANIZA-*  
 3 *TIONS.—*

4           (1) *IN GENERAL.—Section 457 (relating to de-*  
 5 *ferred compensation plans of State and local govern-*  
 6 *ments and tax-exempt organizations) is amended—*

7               (A) *in subsections (b)(2)(A) and (c)(1) by*  
 8 *striking “\$7,500” each place it appears and in-*  
 9 *serting “the applicable dollar amount”; and*

10              (B) *in subsection (b)(3)(A) by striking*  
 11 *“\$15,000” and inserting “twice the dollar*  
 12 *amount in effect under subsection (b)(2)(A)”.*

13           (2) *APPLICABLE DOLLAR AMOUNT; COST-OF-LIV-*  
 14 *ING ADJUSTMENT.—Paragraph (15) of section 457(e)*  
 15 *is amended to read as follows:*

16               “(15) *APPLICABLE DOLLAR AMOUNT.—*

17                   “(A) *IN GENERAL.—The applicable dollar*  
 18 *amount shall be the amount determined in ac-*  
 19 *cordance with the following table:*

<b>“For taxable years beginning in calendar year:</b>	<b>The applicable dollar amount:</b>
2001 .....	\$11,000
2002 .....	\$12,000
2003 .....	\$13,000
2004 .....	\$14,000
2005 or thereafter .....	\$15,000.

20              “(B) *COST-OF-LIVING ADJUSTMENTS.—In*  
 21 *the case of taxable years beginning after Decem-*

1        *ber 31, 2005, the Secretary shall adjust the*  
2        *\$15,000 amount under subparagraph (A) at the*  
3        *same time and in the same manner as under sec-*  
4        *tion 415(d), except that the base period shall be*  
5        *the calendar quarter beginning July 1, 2004,*  
6        *and any increase under this paragraph which is*  
7        *not a multiple of \$500 shall be rounded to the*  
8        *next lowest multiple of \$500.”.*

9        *(e) SIMPLE RETIREMENT ACCOUNTS.—*

10        *(1) LIMITATION.—Clause (ii) of section*  
11        *408(p)(2)(A) (relating to general rule for qualified*  
12        *salary reduction arrangement) is amended by striking*  
13        *“\$6,000” and inserting “the applicable dollar*  
14        *amount”.*

15        *(2) APPLICABLE DOLLAR AMOUNT.—Subpara-*  
16        *graph (E) of 408(p)(2) is amended to read as follows:*

17                *“(E) APPLICABLE DOLLAR AMOUNT; COST-*  
18                *OF-LIVING ADJUSTMENT.—*

19                *“(i) IN GENERAL.—For purposes of*  
20                *subparagraph (A)(ii), the applicable dollar*  
21                *amount shall be the amount determined in*  
22                *accordance with the following table:*

<b><i>“For taxable years beginning in calendar year:</i></b>	<b><i>The applicable dollar amount:</i></b>
<i>2001 .....</i>	<i>\$7,000</i>
<i>2002 .....</i>	<i>\$8,000</i>
<i>2003 .....</i>	<i>\$9,000</i>
<i>2004 or thereafter .....</i>	<i>\$10,000.</i>

1                   “(ii) *COST-OF-LIVING ADJUSTMENT.*—

2                   *In the case of a year beginning after Decem-*

3                   *ber 31, 2004, the Secretary shall adjust the*

4                   *\$10,000 amount under clause (i) at the*

5                   *same time and in the same manner as*

6                   *under section 415(d), except that the base*

7                   *period taken into account shall be the cal-*

8                   *endar quarter beginning July 1, 2003, and*

9                   *any increase under this subparagraph*

10                  *which is not a multiple of \$500 shall be*

11                  *rounded to the next lower multiple of*

12                  *\$500.”.*

13                  (3) *CONFORMING AMENDMENTS.*—

14                  (A)       *Subclause (I) of section*

15                  *401(k)(11)(B)(i) is amended by striking*

16                  *“\$6,000” and inserting “the amount in effect*

17                  *under section 408(p)(2)(A)(ii)”.*

18                  (B) *Section 401(k)(11) is amended by strik-*

19                  *ing subparagraph (E).*

20                  (f) *ROUNDING RULE RELATING TO DEFINED BENEFIT*

21                  *PLANS AND DEFINED CONTRIBUTION PLANS.*—*Paragraph*

22                  *(4) of section 415(d) is amended to read as follows:*

23                  “(4) *ROUNDING.*—

24                  “(A)   *\$160,000 AMOUNT.*—*Any increase*

25                  *under subparagraph (A) of paragraph (1) which*

1           *is not a multiple of \$5,000 shall be rounded to*  
2           *the next lowest multiple of \$5,000.*

3           “(B) \$30,000 AMOUNT.—Any increase  
4           under subparagraph (C) of paragraph (1) which  
5           is not a multiple of \$1,000 shall be rounded to  
6           the next lowest multiple of \$1,000.”.

7           (g) *EFFECTIVE DATE.*—The amendments made by this  
8           section shall apply to years beginning after December 31,  
9           2000.

10   **SEC. 202. PLAN LOANS FOR SUBCHAPTER S OWNERS, PART-**  
11           **NERS, AND SOLE PROPRIETORS.**

12           (a) *IN GENERAL.*—Subparagraph (B) of section  
13           4975(f)(6) (relating to exemptions not to apply to certain  
14           transactions) is amended by adding at the end the following  
15           new clause:

16                           “(iii) *LOAN EXCEPTION.*—For purposes  
17                           of subparagraph (A)(i), the term ‘owner-em-  
18                           ployee’ shall only include a person described  
19                           in subclause (II) or (III) of clause (i).”.

20           (b) *AMENDMENT TO ERISA.*—Section 408(d)(2) of the  
21           Employee Retirement Income Security Act of 1974 (29  
22           U.S.C. 1108(d)(2)) is amended by adding at the end the  
23           following new subparagraph:

1       “(C) *For purposes of paragraph (1)(A), the term*  
2 *‘owner-employee’ shall only include a person described in*  
3 *clause (ii) or (iii) of subparagraph (A).’.*”

4       (c) *EFFECTIVE DATE.*—*The amendment made by this*  
5 *section shall apply to years beginning after December 31,*  
6 *2000.*

7       **SEC. 203. MODIFICATION OF TOP-HEAVY RULES.**

8       (a) *SIMPLIFICATION OF DEFINITION OF KEY EM-*  
9 *PLOYEE.*—

10           (1) *IN GENERAL.*—*Section 416(i)(1)(A) (defining*  
11 *key employee) is amended—*

12                   (A) *by striking “plan year or any of the 4*  
13 *preceding plan years” and inserting “preceding*  
14 *plan year” in the matter preceding clause (i);*

15                   (B) *by striking clause (i) and inserting the*  
16 *following:*

17                           “(i) *an officer of the employer having*  
18 *an annual compensation greater than the*  
19 *amount in effect under section*  
20 *414(q)(1)(B)(i) for such plan year,”;*

21                   (C) *by striking clause (ii) and redesign-*  
22 *ating clauses (iii) and (iv) as clauses (ii) and*  
23 *(iii), respectively;*



1           (D) by striking the second sentence in the  
2           matter following clause (iii), as redesignated by  
3           subparagraph (C); and

4           (E) by adding at the end the following:  
5           “For purposes of this subparagraph, in the case  
6           of an employee who is not employed during the  
7           preceding plan year or is employed for a portion  
8           of such year, such employee shall be treated as a  
9           key employee if it can be reasonably anticipated  
10          that such employee will be described in 1 of the  
11          preceding clauses for the current plan year.”.

12          (2)       CONFORMING        AMENDMENT.—Section  
13          416(i)(1)(B)(iii) is amended by striking “and sub-  
14          paragraph (A)(ii)”.

15          (b) MATCHING CONTRIBUTIONS TAKEN INTO ACCOUNT  
16          FOR MINIMUM CONTRIBUTION REQUIREMENTS.—Section  
17          416(c)(2)(A) (relating to defined contribution plans) is  
18          amended by adding at the end the following: “Employer  
19          matching contributions (as defined in section  
20          401(m)(4)(A)) shall be taken into account for purposes of  
21          this subparagraph.”.

22          (c) DISTRIBUTIONS DURING LAST YEAR BEFORE DE-  
23          TERMINATION DATE TAKEN INTO ACCOUNT.—

24          (1) IN GENERAL.—Paragraph (3) of section  
25          416(g) is amended to read as follows:

1           “(3) *DISTRIBUTIONS DURING LAST YEAR BEFORE*  
2           *DETERMINATION DATE TAKEN INTO ACCOUNT.—*

3                   “(A) *IN GENERAL.—For purposes of*  
4                   *determining—*

5                           “(i) *the present value of the cumulative*  
6                           *accrued benefit for any employee, or*

7                           “(ii) *the amount of the account of any*  
8                           *employee,*

9                   *such present value or amount shall be increased*  
10                   *by the aggregate distributions made with respect*  
11                   *to such employee under the plan during the 1-*  
12                   *year period ending on the determination date.*

13                   *The preceding sentence shall also apply to dis-*  
14                   *tributions under a terminated plan which if it*  
15                   *had not been terminated would have been re-*  
16                   *quired to be included in an aggregation group.*

17                           “(B) *5-YEAR PERIOD IN CASE OF IN-SERV-*  
18                           *ICE DISTRIBUTION.—In the case of any distribu-*  
19                           *tion made for a reason other than separation*  
20                           *from service, death, or disability, subparagraph*  
21                           *(A) shall be applied by substituting ‘5-year pe-*  
22                           *riod’ for ‘1-year period’.*”.

23                   “(2) *BENEFITS NOT TAKEN INTO ACCOUNT.—Sub-*  
24                   *paragraph (E) of section 416(g)(4) is amended—*

1           (A) by striking “LAST 5 YEARS” in the  
2 heading and inserting “LAST YEAR BEFORE DE-  
3 TERMINATION DATE”; and

4           (B) by striking “5-year period” and insert-  
5 ing “1-year period”.

6       (d) DEFINITION OF TOP-HEAVY PLANS.—Paragraph  
7 (4) of section 416(g) (relating to other special rules for top-  
8 heavy plans) is amended by adding at the end the following  
9 new subparagraph:

10           “(H) CASH OR DEFERRED ARRANGEMENTS  
11 USING ALTERNATIVE METHODS OF MEETING NON-  
12 DISCRIMINATION REQUIREMENTS.—The term  
13 ‘top-heavy plan’ shall not include a plan which  
14 consists solely of—

15           “(i) a cash or deferred arrangement  
16 which meets the requirements of section  
17 401(k)(12), and

18           “(ii) matching contributions with re-  
19 spect to which the requirements of section  
20 401(m)(11) are met.

21       If, but for this subparagraph, a plan would be  
22 treated as a top-heavy plan because it is a mem-  
23 ber of an aggregation group which is a top-heavy  
24 group, contributions under the plan may be  
25 taken into account in determining whether any

1           *other plan in the group meets the requirements*  
2           *of subsection (c)(2).”.*

3           *(e) FROZEN PLAN EXEMPT FROM MINIMUM BENEFIT*  
4   *REQUIREMENT.—Subparagraph (C) of section 416(c)(1)*  
5   *(relating to defined benefit plans) is amended—*

6                   *(A) by striking “clause (ii)” in clause (i)*  
7                   *and inserting “clause (ii) or (iii)”;* and

8                   *(B) by adding at the end the following:*

9                           *“(iii) EXCEPTION FOR FROZEN*  
10                           *PLAN.—For purposes of determining an em-*  
11                           *ployee’s years of service with the employer,*  
12                           *any service with the employer shall be dis-*  
13                           *regarded to the extent that such service oc-*  
14                           *curs during a plan year when the plan ben-*  
15                           *efits (within the meaning of section 410(b))*  
16                           *no key employee or former key employee.”.*

17           *(f) ELIMINATION OF FAMILY ATTRIBUTION.—Section*  
18   *416(i)(1)(B) (defining 5-percent owner) is amended by add-*  
19   *ing at the end the following new clause:*

20                           *“(iv) FAMILY ATTRIBUTION DIS-*  
21                           *REGARDED.—Solely for purposes of apply-*  
22                           *ing this paragraph (and not for purposes of*  
23                           *any provision of this title which incor-*  
24                           *porates by reference the definition of a key*  
25                           *employee or 5-percent owner under this*

1 paragraph), section 318 shall be applied  
2 without regard to subsection (a)(1) thereof  
3 in determining whether any person is a 5-  
4 percent owner.”.

5 (g) *EFFECTIVE DATE.*—The amendments made by this  
6 section shall apply to years beginning after December 31,  
7 2000.

8 **SEC. 204. ELECTIVE DEFERRALS NOT TAKEN INTO AC-**  
9 **COUNT FOR PURPOSES OF DEDUCTION LIM-**  
10 **ITS.**

11 (a) *IN GENERAL.*—Section 404 (relating to deduction  
12 for contributions of an employer to an employees’ trust or  
13 annuity plan and compensation under a deferred payment  
14 plan) is amended by adding at the end the following new  
15 subsection:

16 “(n) *ELECTIVE DEFERRALS NOT TAKEN INTO AC-*  
17 *COUNT FOR PURPOSES OF DEDUCTION LIMITS.*—Elective  
18 deferrals (as defined in section 402(g)(3)) shall not be sub-  
19 ject to any limitation contained in paragraph (3), (7), or  
20 (9) of subsection (a), and such elective deferrals shall not  
21 be taken into account in applying any such limitation to  
22 any other contributions.”.

23 (b) *EFFECTIVE DATE.*—The amendment made by this  
24 section shall apply to years beginning after December 31,  
25 2000.

1 **SEC. 205. REPEAL OF COORDINATION REQUIREMENTS FOR**  
2 **DEFERRED COMPENSATION PLANS OF STATE**  
3 **AND LOCAL GOVERNMENTS AND TAX-EXEMPT**  
4 **ORGANIZATIONS.**

5 (a) *IN GENERAL.*—Subsection (c) of section 457 (relat-  
6 ing to deferred compensation plans of State and local gov-  
7 ernments and tax-exempt organizations), as amended by  
8 section 201, is amended to read as follows:

9 “(c) *LIMITATION.*—The maximum amount of the com-  
10 pensation of any one individual which may be deferred  
11 under subsection (a) during any taxable year shall not ex-  
12 ceed the amount in effect under subsection (b)(2)(A) (as  
13 modified by any adjustment provided under subsection  
14 (b)(3)).”.

15 (b) *EFFECTIVE DATE.*—The amendment made by sub-  
16 section (a) shall apply to years beginning after December  
17 31, 2000.

18 **SEC. 206. DEDUCTION LIMITS.**

19 (a) *INCREASE IN PERCENTAGE.*—

20 (1) *STOCK BONUS AND PROFIT SHARING*  
21 *TRUSTS.*—

22 (A) *IN GENERAL.*—Subclause (I) of section  
23 404(a)(3)(A)(i) (relating to stock bonus and  
24 profit sharing trusts) is amended by striking “15  
25 percent” and inserting “25 percent”.

1           (B) *CONFORMING AMENDMENT.*—Subpara-  
2           graph (C) of section 404(h)(1) is amended by  
3           striking “15 percent” each place it appears and  
4           inserting “25 percent”.

5           (2) *DEFINED CONTRIBUTION PLANS.*—

6           (A) *IN GENERAL.*—Clause (v) of section  
7           404(a)(3)(A) (relating to stock bonus and profit  
8           sharing trusts) is amended to read as follows:

9                   “(v) *DEFINED CONTRIBUTION PLANS*  
10                   *SUBJECT TO THE FUNDING STANDARDS.*—  
11                   Except as provided by the Secretary, a de-  
12                   fined contribution plan which is subject to  
13                   the funding standards of section 412 shall  
14                   be treated in the same manner as a stock  
15                   bonus or profit-sharing plan for purposes of  
16                   this subparagraph.”

17           (B) *CONFORMING AMENDMENTS.*—

18                   (i) Section 404(h)(2) is amended by  
19                   striking “stock bonus or profit-sharing  
20                   trust” and inserting “trust subject to sub-  
21                   section (a)(3)(A)”.

22                   (ii) The heading of section 404(h)(2) is  
23                   amended by striking “*STOCK BONUS AND*  
24                   *PROFIT-SHARING TRUST*” and inserting  
25                   “*CERTAIN TRUSTS*”.

1       (b) *COMPENSATION*.—

2               (1) *IN GENERAL*.—Section 404(a) (relating to  
3       general rule) is amended by adding at the end the fol-  
4       lowing:

5               “(12) *DEFINITION OF COMPENSATION*.—For pur-  
6       poses of paragraphs (3), (7), (8), and (9), the term  
7       ‘compensation otherwise paid or accrued during the  
8       taxable year’ shall include amounts treated as ‘par-  
9       ticipant’s compensation’ under subparagraph (C) or  
10      (D) of section 415(c)(3).”.

11              (2) *CONFORMING AMENDMENTS*.—

12                      (A) Subparagraph (B) of section 404(a)(3)  
13       is amended by striking the last sentence thereof.

14                      (B) Clause (i) of section 4972(c)(6)(B) is  
15       amended by striking “(within the meaning of  
16       section 404(a))” and inserting “(within the  
17       meaning of section 404(a) and as adjusted under  
18       section 404(a)(12))”.

19              (c) *EFFECTIVE DATE*.—The amendments made by this  
20       section shall apply to years beginning after December 31,  
21       2000.

22       **SEC. 207. OPTION TO TREAT ELECTIVE DEFERRALS AS**  
23       **AFTER-TAX ROTH CONTRIBUTIONS.**

24              (a) *IN GENERAL*.—Subpart A of part I of subchapter  
25       D of chapter 1 (relating to deferred compensation, etc.) is



1 *amended by inserting after section 402 the following new*  
2 *section:*

3 **“SEC. 402A. OPTIONAL TREATMENT OF ELECTIVE DEFER-**  
4 **RALS AS ROTH CONTRIBUTIONS.**

5 *“(a) GENERAL RULE.—If an applicable retirement*  
6 *plan includes a qualified Roth contribution program—*

7 *“(1) any designated Roth contribution made by*  
8 *an employee pursuant to the program shall be treated*  
9 *as an elective deferral for purposes of this chapter, ex-*  
10 *cept that such contribution shall not be excludable*  
11 *from gross income, and*

12 *“(2) such plan (and any arrangement which is*  
13 *part of such plan) shall not be treated as failing to*  
14 *meet any requirement of this chapter solely by reason*  
15 *of including such program.*

16 *“(b) QUALIFIED ROTH CONTRIBUTION PROGRAM.—*  
17 *For purposes of this section—*

18 *“(1) IN GENERAL.—The term ‘qualified Roth*  
19 *contribution program’ means a program under which*  
20 *an employee may elect to make designated Roth con-*  
21 *tributions in lieu of all or a portion of elective defer-*  
22 *als the employee is otherwise eligible to make under*  
23 *the applicable retirement plan.*

24 *“(2) SEPARATE ACCOUNTING REQUIRED.—A pro-*  
25 *gram shall not be treated as a qualified Roth con-*

1        *tribution program unless the applicable retirement*  
2        *plan—*

3                *“(A) establishes separate accounts (‘des-*  
4                *ignated Roth accounts’) for the designated Roth*  
5                *contributions of each employee and any earnings*  
6                *properly allocable to the contributions, and*

7                *“(B) maintains separate recordkeeping with*  
8                *respect to each account.*

9        *“(c) DEFINITIONS AND RULES RELATING TO DES-*  
10        *IGNATED ROTH CONTRIBUTIONS.—For purposes of this*  
11        *section—*

12                *“(1) DESIGNATED ROTH CONTRIBUTION.—The*  
13                *term ‘designated Roth contribution’ means any elec-*  
14                *tive deferral which—*

15                *“(A) is excludable from gross income of an*  
16                *employee without regard to this section, and*

17                *“(B) the employee designates (at such time*  
18                *and in such manner as the Secretary may pre-*  
19                *scribe) as not being so excludable.*

20                *“(2) DESIGNATION LIMITS.—The amount of elec-*  
21                *tive deferrals which an employee may designate under*  
22                *paragraph (1) shall not exceed the excess (if any) of—*

23                *“(A) the maximum amount of elective defer-*  
24                *rals excludable from gross income of the employee*

1       *for the taxable year (without regard to this sec-*  
2       *tion), over*

3               “(B) *the aggregate amount of elective defer-*  
4       *rals of the employee for the taxable year which*  
5       *the employee does not designate under paragraph*  
6       *(1).*

7       “(3) *ROLLOVER CONTRIBUTIONS.—*

8               “(A) *IN GENERAL.—A rollover contribution*  
9       *of any payment or distribution from a des-*  
10       *ignated Roth account which is otherwise allow-*  
11       *able under this chapter may be made only if the*  
12       *contribution is to—*

13               “(i) *another designated Roth account*  
14       *of the individual from whose account the*  
15       *payment or distribution was made, or*

16               “(ii) *a Roth IRA of such individual.*

17       “(B) *COORDINATION WITH LIMIT.—Any*  
18       *rollover contribution to a designated Roth ac-*  
19       *count under subparagraph (A) shall not be taken*  
20       *into account for purposes of paragraph (1).*

21       “(d) *DISTRIBUTION RULES.—For purposes of this*  
22       *title—*

23               “(1) *EXCLUSION.—Any qualified distribution*  
24       *from a designated Roth account shall not be includ-*  
25       *ible in gross income.*

1           “(2) *QUALIFIED DISTRIBUTION.*—*For purposes*  
2       *of this subsection—*

3           “(A) *IN GENERAL.*—*The term ‘qualified dis-*  
4       *tribution’ has the meaning given such term by*  
5       *section 408A(d)(2)(A) (without regard to clause*  
6       *(iv) thereof).*

7           “(B) *DISTRIBUTIONS WITHIN NONEXCLU-*  
8       *SION PERIOD.*—*A payment or distribution from*  
9       *a designated Roth account shall not be treated as*  
10      *a qualified distribution if such payment or dis-*  
11      *tribution is made within the 5-taxable-year pe-*  
12      *riod beginning with the earlier of—*

13           “(i) *the first taxable year for which the*  
14      *individual made a designated Roth con-*  
15      *tribution to any designated Roth account*  
16      *established for such individual under the*  
17      *same applicable retirement plan, or*

18           “(ii) *if a rollover contribution was*  
19      *made to such designated Roth account from*  
20      *a designated Roth account previously estab-*  
21      *lished for such individual under another*  
22      *applicable retirement plan, the first taxable*  
23      *year for which the individual made a des-*  
24      *ignated Roth contribution to such pre-*  
25      *viously established account.*

1                   “(C) *DISTRIBUTIONS OF EXCESS DEFER-*  
2                   *RALS AND CONTRIBUTIONS AND EARNINGS*  
3                   *THEREON.—The term ‘qualified distribution’*  
4                   *shall not include any distribution of any excess*  
5                   *deferral under section 402(g)(2) or any excess*  
6                   *contribution under section 401(k)(8), and any*  
7                   *income on the excess deferral or contribution.*

8                   “(3) *AGGREGATION RULES.—Section 72 shall be*  
9                   *applied separately with respect to distributions and*  
10                  *payments from a designated Roth account and other*  
11                  *distributions and payments from the plan.*

12                  “(e) *OTHER DEFINITIONS.—For purposes of this*  
13                  *section—*

14                   “(1) *APPLICABLE RETIREMENT PLAN.—The term*  
15                   *‘applicable retirement plan’ means—*

16                   “(A) *an employees’ trust described in sec-*  
17                   *tion 401(a) which is exempt from tax under sec-*  
18                   *tion 501(a), and*

19                   “(B) *a plan under which amounts are con-*  
20                   *tributed by an individual’s employer for an an-*  
21                   *nuity contract described in section 403(b).*

22                   “(2) *ELECTIVE DEFERRAL.—The term ‘elective*  
23                   *deferral’ means any elective deferral described in sub-*  
24                   *paragraph (A) or (C) of section 402(g)(3).’.*

1       (b) *EXCESS DEFERRALS*.—Section 402(g) (relating to  
2       *limitation on exclusion for elective deferrals*) is amended—

3               (1) *by adding at the end of paragraph (1)(A) (as*  
4       *added by section 201(c)(1)) the following new sen-*  
5       *tence: “The preceding sentence shall not apply to so*  
6       *much of such excess as does not exceed the designated*  
7       *Roth contributions of the individual for the taxable*  
8       *year.”; and*

9               (2) *by inserting “(or would be included but for*  
10       *the last sentence thereof)” after “paragraph (1)” in*  
11       *paragraph (2)(A).*

12       (c) *ROLLOVERS*.—Subparagraph (B) of section  
13       402(c)(8) is amended by adding at the end the following:

14               *“If any portion of an eligible rollover distribu-*  
15       *tion is attributable to payments or distributions*  
16       *from a designated Roth account (as defined in*  
17       *section 402A), an eligible retirement plan with*  
18       *respect to such portion shall include only another*  
19       *designated Roth account and a Roth IRA.”.*

20       (d) *REPORTING REQUIREMENTS*.—

21               (1) *W-2 INFORMATION*.—Section 6051(a)(8) is  
22       *amended by inserting “, including the amount of des-*  
23       *ignated Roth contributions (as defined in section*  
24       *402A)” before the comma at the end.*

1           (2) *INFORMATION.*—*Section 6047 is amended by*  
2           *redesignating subsection (f) as subsection (g) and by*  
3           *inserting after subsection (e) the following new sub-*  
4           *section:*

5           “(f) *DESIGNATED ROTH CONTRIBUTIONS.*—*The Sec-*  
6           *retary shall require the plan administrator of each applica-*  
7           *ble retirement plan (as defined in section 402A) to make*  
8           *such returns and reports regarding designated Roth con-*  
9           *tributions (as defined in section 402A) to the Secretary,*  
10          *participants and beneficiaries of the plan, and such other*  
11          *persons as the Secretary may prescribe.”.*

12          (e) *CONFORMING AMENDMENTS.*—

13               (1) *Section 408A(e) is amended by adding after*  
14               *the first sentence the following new sentence: “Such*  
15               *term includes a rollover contribution described in sec-*  
16               *tion 402A(c)(3)(A).”.*

17               (2) *The table of sections for subpart A of part I*  
18               *of subchapter D of chapter 1 is amended by inserting*  
19               *after the item relating to section 402 the following*  
20               *new item:*

“Sec. 402A. *Optional treatment of elective deferrals as Roth con-*  
*tributions.*”.

21           (f) *EFFECTIVE DATE.*—*The amendments made by this*  
22           *section shall apply to taxable years beginning after Decem-*  
23           *ber 31, 2000.*

1 **SEC. 208. NONREFUNDABLE CREDIT TO CERTAIN INDIVID-**  
2 **UALS FOR ELECTIVE DEFERRALS AND IRA**  
3 **CONTRIBUTIONS.**

4 (a) *IN GENERAL.*—Subpart A of part IV of subchapter  
5 A of chapter 1 (relating to nonrefundable personal credits)  
6 is amended by inserting after section 25A the following new  
7 section:

8 **“SEC. 25B. ELECTIVE DEFERRALS AND IRA CONTRIBUTIONS**  
9 **BY CERTAIN INDIVIDUALS.**

10 “(a) *ALLOWANCE OF CREDIT.*—In the case of an eligi-  
11 ble individual, there shall be allowed as a credit against  
12 the tax imposed by this subtitle for the taxable year an  
13 amount equal to the applicable percentage of so much of  
14 the qualified retirement savings contributions of the eligible  
15 individual for the taxable year as do not exceed \$2,000.

16 “(b) *APPLICABLE PERCENTAGE.*—For purposes of this  
17 section, the applicable percentage is the percentage deter-  
18 mined in accordance with the following table:

Adjusted Gross Income						Applica- ble per- centage
Joint return		Head of a household		All other cases		
Over	Not over	Over	Not over	Over	Not over	
\$0	\$20,000	\$0	\$15,000	\$0	\$10,000	50
20,000	25,000	15,000	18,750	10,000	12,500	30
25,000	30,000	18,750	22,500	12,500	15,000	25
30,000	35,000	22,500	26,250	15,000	17,500	20
35,000	40,000	26,250	30,000	17,500	20,000	15
40,000	45,000	30,000	33,750	20,000	22,500	10
45,000	50,000	33,750	37,500	22,500	25,000	5
50,000		37,500		25,000		0



1       “(c) *ELIGIBLE INDIVIDUAL*.—For purposes of this  
2 *section*—

3               “(1) *IN GENERAL*.—The term ‘eligible indi-  
4 *vidual*’ means any individual if such individual has  
5 *attained the age of 18 as of the close of the taxable*  
6 *year*.

7               “(2) *DEPENDENTS AND FULL-TIME STUDENTS*  
8 *NOT ELIGIBLE*.—The term ‘eligible individual’ shall  
9 *not include*—

10                   “(A) *any individual with respect to whom*  
11 *a deduction under section 151 is allowed to an-*  
12 *other taxpayer for a taxable year beginning in*  
13 *the calendar year in which such individual’s*  
14 *taxable year begins, and*

15                   “(B) *any individual who is a student (as*  
16 *defined in section 151(c)(4)).*

17       “(d) *QUALIFIED RETIREMENT SAVINGS CONTRIBU-*  
18 *TIONS*.—For purposes of this section—

19               “(1) *IN GENERAL*.—The term ‘qualified retire-  
20 *ment savings contributions*’ means, with respect to  
21 *any taxable year, the sum of*—

22                   “(A) *the amount of the qualified retirement*  
23 *contributions (as defined in section 219(e)) made*  
24 *by the eligible individual,*

25                   “(B) *the amount of*—

1                   “(i) any elective deferrals (as defined  
2                   in section 402(g)(3)) of such individual,  
3                   and

4                   “(ii) any elective deferral of compensa-  
5                   tion by such individual under an eligible  
6                   deferred compensation plan (as defined in  
7                   section 457(b)) of an eligible employer de-  
8                   scribed in section 457(e)(1)(A), and

9                   “(C) the amount of voluntary employee con-  
10                  tributions by such individual to any qualified  
11                  retirement plan (as defined in section 4974(c)).

12                  “(2) REDUCTION FOR CERTAIN DISTRIBUTIONS.—  
13

14                  “(A) IN GENERAL.—The qualified retire-  
15                  ment savings contributions determined under  
16                  paragraph (1) shall be reduced (but not below  
17                  zero) by the sum of—

18                  “(i) any distribution from a qualified  
19                  retirement plan (as defined in section  
20                  4974(c)), or from an eligible deferred com-  
21                  pensation plan (as defined in section  
22                  457(b)), received by the individual during  
23                  the testing period which is includible in  
24                  gross income, and

1                   “(ii) any distribution from a Roth  
2                   IRA received by the individual during the  
3                   testing period which is not a qualified roll-  
4                   over contribution (as defined in section  
5                   408A(e)) to a Roth IRA.

6                   “(B) TESTING PERIOD.—For purposes of  
7                   subparagraph (A), the testing period, with re-  
8                   spect to a taxable year, is the period which  
9                   includes—

10                   “(i) such taxable year,

11                   “(ii) the 2 preceding taxable years,  
12                   and

13                   “(iii) the period after such taxable  
14                   year and before the due date (including ex-  
15                   tensions) for filing the return of tax for such  
16                   taxable year.

17                   “(C) EXCEPTED DISTRIBUTIONS.—There  
18                   shall not be taken into account under subpara-  
19                   graph (A)—

20                   “(i) any distribution referred to in sec-  
21                   tion 72(p), 401(k)(8), 401(m)(6), 402(g)(2),  
22                   404(k), or 408(d)(4), and

23                   “(ii) any distribution to which section  
24                   408A(d)(3) applies.

1                   “(D) *TREATMENT OF DISTRIBUTIONS RE-*  
2                   *CEIVED BY SPOUSE OF INDIVIDUAL.*—For pur-  
3                   *poses of determining distributions received by an*  
4                   *individual under subparagraph (A) for any tax-*  
5                   *able year, any distribution received by the spouse*  
6                   *of such individual shall be treated as received by*  
7                   *such individual if such individual and spouse*  
8                   *file a joint return for such taxable year and for*  
9                   *the taxable year during which the spouse receives*  
10                  *the distribution.*

11               “(e) *ADJUSTED GROSS INCOME.*—For purposes of this  
12               *section, adjusted gross income shall be determined without*  
13               *regard to sections 911, 931, and 933.*

14               “(f) *INVESTMENT IN THE CONTRACT.*—Notwith-  
15               *standing any other provision of law, a qualified retirement*  
16               *savings contribution shall not fail to be included in deter-*  
17               *mining the investment in the contract for purposes of sec-*  
18               *tion 72 by reason of the credit under this section.”*

19               “(b) *CREDIT ALLOWED AGAINST REGULAR TAX AND*  
20               *ALTERNATIVE MINIMUM TAX.*—

21                   (1) *IN GENERAL.*—Subsection (a) of section 26 is  
22                   *amended by inserting “(other than the credit allowed*  
23                   *by section 25B)” after “credits allowed by this sub-*  
24                   *part”.*

1           (2) *CONFORMING AMENDMENT.*—Section 25B, as  
2           added by subsection (a), is amended by inserting after  
3           subsection (f) the following new subsection:

4           “(g) *LIMITATION BASED ON AMOUNT OF TAX.*—The  
5           aggregate credit allowed by this section for the taxable year  
6           shall not exceed the sum of—

7           “(1) the taxpayer’s regular tax liability for the  
8           taxable year reduced by the sum of the credits allowed  
9           by sections 21, 22, 23, 24, 25, and 25A, plus

10          “(2) the tax imposed by section 55 for such tax-  
11          able year.”

12          (c) *ANNUAL REPORT.*—The Comptroller General of the  
13          United States shall submit a report annually to the Com-  
14          mittee on Ways and Means of the House of Representatives  
15          and the Committee on Finance of the Senate regarding the  
16          number of taxpayers receiving the credit allowed under sec-  
17          tion 25B of the Internal Revenue Code of 1986, as added  
18          by subsection (a).

19          (d) *CONFORMING AMENDMENT.*—The table of sections  
20          for subpart A of part IV of subchapter A of chapter 1 is  
21          amended by inserting after the item relating to section 25A  
22          the following new item:

                  “Sec. 25B. Elective deferrals and IRA contributions by certain in-  
                  dividuals.”

23          (e) *EFFECTIVE DATES.*—

1           (1) *IN GENERAL.*—*The amendments made by*  
2           *subsections (a) and (d) shall apply to taxable years*  
3           *beginning after December 31, 2000, and before Janu-*  
4           *ary 1, 2006.*

5           (2) *ALTERNATIVE MINIMUM TAX.*—*The amend-*  
6           *ments made by subsection (b) shall apply to taxable*  
7           *years beginning after December 31, 2001, and before*  
8           *January 1, 2006.*

9   **SEC. 209. CREDIT FOR QUALIFIED PENSION PLAN CON-**  
10           **TRIBUTIONS OF SMALL EMPLOYERS.**

11           (a) *IN GENERAL.*—*Subpart D of part IV of subchapter*  
12           *A of chapter 1 (relating to business related credits) is*  
13           *amended by adding at the end the following new section:*

14   **“SEC. 45D. SMALL EMPLOYER PENSION PLAN CONTRIBU-**  
15           **TIONS.**

16           “(a) *GENERAL RULE.*—*For purposes of section 38, in*  
17           *the case of an eligible employer, the small employer pension*  
18           *plan contribution credit determined under this section for*  
19           *any taxable year is an amount equal to 50 percent of the*  
20           *amount which would (but for subsection (f)(1)) be allowed*  
21           *as a deduction under section 404 for such taxable year for*  
22           *qualified employer contributions made to any qualified re-*  
23           *tirement plan on behalf of any employee who is not a highly*  
24           *compensated employee.*

1       “(b) *CREDIT LIMITED TO 3 YEARS.*—*The credit allow-*  
2 *able by this section shall be allowed only with respect to*  
3 *the period of 3 taxable years beginning with the first taxable*  
4 *year for which a credit is allowable with respect to a plan*  
5 *under this section.*

6       “(c) *QUALIFIED EMPLOYER CONTRIBUTION.*—*For*  
7 *purposes of this section—*

8               “(1) *DEFINED CONTRIBUTION PLANS.*—*In the*  
9 *case of a defined contribution plan, the term ‘quali-*  
10 *fied employer contribution’ means the amount of non-*  
11 *elective and matching contributions to the plan made*  
12 *by the employer on behalf of any employee who is not*  
13 *a highly compensated employee to the extent such*  
14 *amount does not exceed 3 percent of such employee’s*  
15 *compensation from the employer for the year.*

16              “(2) *DEFINED BENEFIT PLANS.*—*In the case of a*  
17 *defined benefit plan, the term ‘qualified employer con-*  
18 *tribution’ means the amount of employer contribu-*  
19 *tions to the plan made on behalf of any employee who*  
20 *is not a highly compensated employee to the extent*  
21 *that the accrued benefit of such employee derived from*  
22 *employer contributions for the year does not exceed*  
23 *the equivalent (as determined under regulations pre-*  
24 *scribed by the Secretary and without regard to con-*  
25 *tributions and benefits under the Social Security Act)*

1       *of 3 percent of such employee's compensation from the*  
2       *employer for the year.*

3       “(d) *QUALIFIED RETIREMENT PLAN.*—

4               “(1) *IN GENERAL.*—*The term ‘qualified retire-*  
5       *ment plan’ means any plan described in section*  
6       *401(a) which includes a trust exempt from tax under*  
7       *section 501(a) if the plan meets—*

8               “(A) *the contribution requirements of para-*  
9       *graph (2),*

10              “(B) *the vesting requirements of paragraph*  
11       *(3), and*

12              “(C) *the distributions requirements of para-*  
13       *graph (4).*

14       “(2) *CONTRIBUTION REQUIREMENTS.*—

15              “(A) *IN GENERAL.*—*The requirements of*  
16       *this paragraph are met if, under the plan—*

17                   “(i) *the employer is required to make*  
18       *nonelective contributions of at least 1 per-*  
19       *cent of compensation (or the equivalent*  
20       *thereof in the case of a defined benefit plan)*  
21       *for each employee who is not a highly com-*  
22       *pensated employee who is eligible to partici-*  
23       *pate in the plan, and*

24                   “(ii) *allocations of nonelective em-*  
25       *ployer contributions are either in equal dol-*



1            *lar amounts for all employees covered by the*  
2            *plan or bear a uniform relationship to the*  
3            *total compensation, or the basic or regular*  
4            *rate of compensation, of the employees cov-*  
5            *ered by the plan.*

6            “(B)    *COMPENSATION    LIMITATION.—The*  
7            *compensation taken into account under subpara-*  
8            *graph (A) for any year shall not exceed the limi-*  
9            *tation in effect for such year under section*  
10           *401(a)(17).*

11           “(3)    *VESTING    REQUIREMENTS.—The require-*  
12           *ments of this paragraph are met if the plan satisfies*  
13           *the requirements of subparagraph (A) or (B).*

14           “(A)    *3-YEAR VESTING.—A plan satisfies the*  
15           *requirements of this subparagraph if an em-*  
16           *ployee who has completed at least 3 years of*  
17           *service has a nonforfeitable right to 100 percent*  
18           *of the employee’s accrued benefit derived from*  
19           *employer contributions.*

20           “(B)    *5-YEAR GRADED VESTING.—A plan*  
21           *satisfies the requirements of this subparagraph if*  
22           *an employee has a nonforfeitable right to a per-*  
23           *centage of the employee’s accrued benefit derived*  
24           *from employer contributions determined under*  
25           *the following table:*

<b><i>“Years of service:</i></b>	<b><i>The nonforfeitable percentage is:</i></b>
<i>1</i> .....	<i>20</i>
<i>2</i> .....	<i>40</i>
<i>3</i> .....	<i>60</i>
<i>4</i> .....	<i>80</i>
<i>5</i> .....	<i>100.</i>

1           “(4) *DISTRIBUTION REQUIREMENTS.*—*In the*  
2           *case of a profit-sharing or stock bonus plan, the re-*  
3           *quirements of this paragraph are met if, under the*  
4           *plan, qualified employer contributions are distribut-*  
5           *able only as provided in section 401(k)(2)(B).*

6           “(e) *OTHER DEFINITIONS.*—*For purposes of this*  
7           *section—*

8           “(1) *ELIGIBLE EMPLOYER.*—

9                   “(A) *IN GENERAL.*—*The term ‘eligible em-*  
10                  *ployer’ means, with respect to any year, an em-*  
11                  *ployer which has no more than 50 employees*  
12                  *who received at least \$5,000 of compensation*  
13                  *from the employer for the preceding year.*

14                  “(B) *REQUIREMENT FOR NEW QUALIFIED*  
15                  *EMPLOYER PLANS.*—*Such term shall not include*  
16                  *an employer if, during the 3-taxable year period*  
17                  *immediately preceding the 1st taxable year for*  
18                  *which the credit under this section is otherwise*  
19                  *allowable for a qualified employer plan of the*  
20                  *employer, the employer or any member of any*  
21                  *controlled group including the employer (or any*  
22                  *predecessor of either) established or maintained a*

1           *qualified employer plan with respect to which*  
2           *contributions were made, or benefits were ac-*  
3           *crued, for substantially the same employees as*  
4           *are in the qualified employer plan.*

5           “(2) *HIGHLY COMPENSATED EMPLOYEE.*—*The*  
6           *term ‘highly compensated employee’ has the meaning*  
7           *given such term by section 414(q) (determined with-*  
8           *out regard to section 414(q)(1)(B)(ii)).*

9           “(f) *SPECIAL RULES.*—

10           “(1) *DISALLOWANCE OF DEDUCTION.*—*No deduc-*  
11           *tion shall be allowed for that portion of the qualified*  
12           *employer contributions paid or incurred for the tax-*  
13           *able year which is equal to the credit determined*  
14           *under subsection (a).*

15           “(2) *ELECTION NOT TO CLAIM CREDIT.*—*This*  
16           *section shall not apply to a taxpayer for any taxable*  
17           *year if such taxpayer elects to have this section not*  
18           *apply for such taxable year.*

19           “(3) *AGGREGATION RULES.*—*All persons treated*  
20           *as a single employer under subsection (a) or (b) of*  
21           *section 52, or subsection (n) or (o) of section 414,*  
22           *shall be treated as one person. All eligible employer*  
23           *plans shall be treated as 1 eligible employer plan.*

24           “(g) *RECAPTURE OF CREDIT ON FORFEITED CON-*  
25           *TRIBUTIONS.*—

1           “(1) *IN GENERAL.*—*Except as provided in para-*  
2           *graph (2), if any accrued benefit which is forfeitable*  
3           *by reason of subsection (d)(3) is forfeited, the employ-*  
4           *er’s tax imposed by this chapter for the taxable year*  
5           *in which the forfeiture occurs shall be increased by 35*  
6           *percent of the employer contributions from which such*  
7           *benefit is derived to the extent such contributions were*  
8           *taken into account in determining the credit under*  
9           *this section.*

10           “(2) *REALLOCATED CONTRIBUTIONS.*—*Para-*  
11           *graph (1) shall not apply to any contribution which*  
12           *is reallocated by the employer under the plan to em-*  
13           *ployees who are not highly compensated employees.”.*

14           “(b) *CREDIT ALLOWED AS PART OF GENERAL BUSI-*  
15           *NESS CREDIT.*—*Section 38(b) (defining current year busi-*  
16           *ness credit) is amended by striking “plus” at the end of*  
17           *paragraph (11), by striking the period at the end of para-*  
18           *graph (12) and inserting “, plus”, and by adding at the*  
19           *end the following new paragraph:*

20           “(13) *in the case of an eligible employer (as de-*  
21           *finied in section 45D(e)), the small employer pension*  
22           *plan contribution credit determined under section*  
23           *45D(a).”*

24           “(c) *CONFORMING AMENDMENTS.*—

1           (1) *Section 39(d) is amended by adding at the*  
2           *end the following new paragraph:*

3           “(9) *NO CARRYBACK OF SMALL EMPLOYER PEN-*  
4           *SION PLAN CONTRIBUTION CREDIT BEFORE JANUARY*  
5           *1, 2001.—No portion of the unused business credit for*  
6           *any taxable year which is attributable to the small*  
7           *employer pension plan contribution credit determined*  
8           *under section 45D may be carried back to a taxable*  
9           *year beginning before January 1, 2001.”*

10          (2) *Subsection (c) of section 196 is amended by*  
11          *striking “and” at the end of paragraph (7), by strik-*  
12          *ing the period at the end of paragraph (8) and insert-*  
13          *ing “, and”, and by adding at the end the following*  
14          *new paragraph:*

15          “(9) *the small employer pension plan contribu-*  
16          *tion credit determined under section 45D(a).”*

17          (3) *The table of sections for subpart D of part*  
18          *IV of subchapter A of chapter 1 is amended by adding*  
19          *at the end the following new item:*

            “*Sec. 45D. Small employer pension plan contributions.*”

20          (d) *EFFECTIVE DATE.—The amendments made by this*  
21          *section shall apply to contributions paid or incurred in tax-*  
22          *able years beginning after December 31, 2000.*

1 **SEC. 210. CREDIT FOR PENSION PLAN STARTUP COSTS OF**  
2 **SMALL EMPLOYERS.**

3 (a) *IN GENERAL.*—Subpart D of part IV of subchapter  
4 A of chapter 1 (relating to business related credits), as  
5 amended by section 209, is amended by adding at the end  
6 the following new section:

7 **“SEC. 45E. SMALL EMPLOYER PENSION PLAN STARTUP**  
8 **COSTS.**

9 “(a) *GENERAL RULE.*—For purposes of section 38, in  
10 the case of an eligible employer, the small employer pension  
11 plan startup cost credit determined under this section for  
12 any taxable year is an amount equal to 50 percent of the  
13 qualified startup costs paid or incurred by the taxpayer  
14 during the taxable year.

15 “(b) *DOLLAR LIMITATION.*—The amount of the credit  
16 determined under this section for any taxable year shall not  
17 exceed—

18 “(1) \$500 for the first credit year and each of the  
19 2 taxable years immediately following the first credit  
20 year, and

21 “(2) zero for any other taxable year.

22 “(c) *ELIGIBLE EMPLOYER.*—For purposes of this  
23 section—

24 “(1) *IN GENERAL.*—The term ‘eligible employer’  
25 has the meaning given such term by section  
26 408(p)(2)(C)(i).

1           “(2) *REQUIREMENT FOR NEW QUALIFIED EM-*  
2           *PLOYER PLANS.*—Such term shall not include an em-  
3           *ployer if, during the 3-taxable year period imme-*  
4           *diately preceding the 1st taxable year for which the*  
5           *credit under this section is otherwise allowable for a*  
6           *qualified employer plan of the employer, the employer*  
7           *or any member of any controlled group including the*  
8           *employer (or any predecessor of either) established or*  
9           *maintained a qualified employer plan with respect to*  
10           *which contributions were made, or benefits were ac-*  
11           *crued, for substantially the same employees as are in*  
12           *the qualified employer plan.*

13           “(d) *OTHER DEFINITIONS.*—For purposes of this  
14           *section—*

15           “(1) *QUALIFIED STARTUP COSTS.*—

16                   “(A) *IN GENERAL.*—The term ‘qualified  
17                   *startup costs’ means any ordinary and necessary*  
18                   *expenses of an eligible employer which are paid*  
19                   *or incurred in connection with—*

20                           “(i) *the establishment or administra-*  
21                           *tion of an eligible employer plan, or*

22                           “(ii) *the retirement-related education*  
23                           *of employees with respect to such plan.*

24                   “(B) *PLAN MUST HAVE AT LEAST 1 PARTICI-*  
25                   *PANT.*—Such term shall not include any expense

1           *in connection with a plan that does not have at*  
2           *least 1 employee eligible to participate who is*  
3           *not a highly compensated employee.*

4           “(2) *ELIGIBLE EMPLOYER PLAN.*—*The term ‘eli-*  
5           *gible employer plan’ means a qualified employer plan*  
6           *within the meaning of section 4972(d).*

7           “(3) *FIRST CREDIT YEAR.*—*The term ‘first credit*  
8           *year’ means—*

9                   “(A) *the taxable year which includes the*  
10                  *date that the eligible employer plan to which*  
11                  *such costs relate becomes effective, or*

12                  “(B) *at the election of the eligible employer,*  
13                  *the taxable year preceding the taxable year re-*  
14                  *ferred to in subparagraph (A).*

15           “(e) *SPECIAL RULES.*—*For purposes of this section—*

16                  “(1) *AGGREGATION RULES.*—*All persons treated*  
17                  *as a single employer under subsection (a) or (b) of*  
18                  *section 52, or subsection (n) or (o) of section 414,*  
19                  *shall be treated as one person. All eligible employer*  
20                  *plans shall be treated as 1 eligible employer plan.*

21                  “(2) *DISALLOWANCE OF DEDUCTION.*—*No deduc-*  
22                  *tion shall be allowed for that portion of the qualified*  
23                  *startup costs paid or incurred for the taxable year*  
24                  *which is equal to the credit determined under sub-*  
25                  *section (a).*



1           “(3) *ELECTION NOT TO CLAIM CREDIT.*—*This*  
2           *section shall not apply to a taxpayer for any taxable*  
3           *year if such taxpayer elects to have this section not*  
4           *apply for such taxable year.*”

5           (b) *CREDIT ALLOWED AS PART OF GENERAL BUSI-*  
6           *NESS CREDIT.*—*Section 38(b) (defining current year busi-*  
7           *ness credit), as amended by section 209, is amended by*  
8           *striking “plus” at the end of paragraph (12), by striking*  
9           *the period at the end of paragraph (13) and inserting “,*  
10           *plus”, and by adding at the end the following new para-*  
11           *graph:*

12           “(14) *in the case of an eligible employer (as de-*  
13           *fined in section 45D(c)), the small employer pension*  
14           *plan startup cost credit determined under section*  
15           *45E(a).*”

16           (c) *CONFORMING AMENDMENTS.*—

17           (1) *Section 39(d), as amended by section 209(c),*  
18           *is amended by adding at the end the following new*  
19           *paragraph:*

20           “(10) *NO CARRYBACK OF SMALL EMPLOYER PEN-*  
21           *SION PLAN STARTUP COST CREDIT BEFORE JANUARY*  
22           *1, 2001.*—*No portion of the unused business credit for*  
23           *any taxable year which is attributable to the small*  
24           *employer pension plan startup cost credit determined*

1       under section 45E may be carried back to a taxable  
2       year beginning before January 1, 2001.”

3           (2) Subsection (c) of section 196, as amended by  
4       section 209(c), is amended by striking “and” at the  
5       end of paragraph (8), by striking the period at the  
6       end of paragraph (9) and inserting “, and”, and by  
7       adding at the end the following new paragraph:

8           “(10) the small employer pension plan startup  
9       cost credit determined under section 45E(a).”

10          (3) The table of sections for subpart D of part  
11       IV of subchapter A of chapter 1, as amended by sec-  
12       tion 209(c), is amended by adding at the end the fol-  
13       lowing new item:

          “Sec. 45E. Small employer pension plan startup costs.”

14          (d) *EFFECTIVE DATE.*—The amendments made by this  
15       section shall apply to costs paid or incurred in taxable  
16       years beginning after December 31, 2000, with respect to  
17       qualified employer plans established after such date.

18                   **TITLE III—ENHANCING**  
19                   **FAIRNESS FOR WOMEN**

20       **SEC. 301. CATCH-UP CONTRIBUTIONS FOR INDIVIDUALS**  
21                   **AGE 50 OR OVER.**

22          (a) *IN GENERAL.*—Section 414 (relating to definitions  
23       and special rules) is amended by adding at the end the fol-  
24       lowing new subsection:

1       “(v) *CATCHUP CONTRIBUTIONS FOR INDIVIDUALS AGE*  
2   50 OR OVER.—

3               “(1) *IN GENERAL.—An applicable employer plan*  
4   *shall not be treated as failing to meet any require-*  
5   *ment of this title solely because the plan permits an*  
6   *eligible participant to make additional elective defer-*  
7   *als in any plan year.*

8               “(2) *LIMITATION ON AMOUNT OF ADDITIONAL*  
9   *DEFERRALS.—*

10               “(A) *IN GENERAL.—A plan shall not permit*  
11   *additional elective deferrals under paragraph (1)*  
12   *for any year in an amount greater than the less-*  
13   *er of—*

14                       “(i) *the applicable percentage of the*  
15   *applicable dollar amount for such elective*  
16   *deferrals for such year, or*

17                       “(ii) *the excess (if any) of—*

18                               “(I) *the participant’s compensa-*  
19   *tion (as defined in section 415(c)(3))*  
20   *for the year, over*

21                               “(II) *any other elective deferrals*  
22   *of the participant for such year which*  
23   *are made without regard to this sub-*  
24   *section.*

1                   “(B) *APPLICABLE PERCENTAGE.*—*For pur-*  
 2                   *poses of this paragraph, the applicable percent-*  
 3                   *age shall be determined in accordance with the*  
 4                   *following table:*

<b>“For taxable years beginning in:</b>	<b><i>The applicable percentage is:</i></b>
2001 .....	10 percent
2002 .....	20 percent
2003 .....	30 percent
2004 .....	40 percent
2005 and thereafter .....	50 percent.

5                   “(3) *TREATMENT OF CONTRIBUTIONS.*—*In the*  
 6                   *case of any contribution to a plan under paragraph*  
 7                   *(1)—*

8                   “(A) *such contribution shall not, with re-*  
 9                   *spect to the year in which the contribution is*  
 10                  *made—*

11                  “(i) *be subject to any otherwise appli-*  
 12                  *cable limitation contained in section 402(g),*  
 13                  *402(h), 403(b), 404(a), 404(h), 408(k),*  
 14                  *408(p), 415, or 457, or*

15                  “(ii) *be taken into account in applying*  
 16                  *such limitations to other contributions or*  
 17                  *benefits under such plan or any other such*  
 18                  *plan, and*

19                  “(B) *such plan shall not be treated as fail-*  
 20                  *ing to meet the requirements of section 401(a)(4),*  
 21                  *401(a)(26), 401(k)(3), 401(k)(11), 401(k)(12),*  
 22                  *401(m), 403(b)(12), 408(k), 408(p), 408B,*

1           410(b), or 416 by reason of the making of (or the  
2           right to make) such contribution.

3           “(4) *ELIGIBLE PARTICIPANT.*—For purposes of  
4           this subsection, the term ‘eligible participant’ means,  
5           with respect to any plan year, a participant in a  
6           plan—

7                   “(A) who has attained the age of 50 before  
8                   the close of the plan year, and

9                   “(B) with respect to whom no other elective  
10                  deferrals may (without regard to this subsection)  
11                  be made to the plan for the plan year by reason  
12                  of the application of any limitation or other re-  
13                  striction described in paragraph (3) or contained  
14                  in the terms of the plan.

15           “(5) *OTHER DEFINITIONS AND RULES.*—For  
16           purposes of this subsection—

17                   “(A) *APPLICABLE DOLLAR AMOUNT.*—The  
18                   term ‘applicable dollar amount’ means, with re-  
19                   spect to any year, the amount in effect under  
20                   section 402(g)(1)(B), 408(p)(2)(E)(i), or  
21                   457(e)(15)(A), whichever is applicable to an ap-  
22                   plicable employer plan, for such year.

23                   “(B) *APPLICABLE EMPLOYER PLAN.*—The  
24                   term ‘applicable employer plan’ means—

1           “(i) an employees’ trust described in  
2           section 401(a) which is exempt from tax  
3           under section 501(a),

4           “(ii) a plan under which amounts are  
5           contributed by an individual’s employer for  
6           an annuity contract described in section  
7           403(b),

8           “(iii) an eligible deferred compensation  
9           plan under section 457 of an eligible em-  
10          ployer described in section 457(e)(1)(A),  
11          and

12          “(iv) an arrangement meeting the re-  
13          quirements of section 408 (k) or (p).

14          “(C) *ELECTIVE DEFERRAL.*—The term ‘elec-  
15          tive deferral’ has the meaning given such term  
16          by subsection (u)(2)(C).

17          “(D) *EXCEPTION FOR SECTION 457 PLANS.*—  
18          This subsection shall not apply to an applicable  
19          employer plan described in subparagraph  
20          (B)(iii) for any year to which section 457(b)(3)  
21          applies.”.

22          (b) *EFFECTIVE DATE.*—The amendment made by this  
23          section shall apply to contributions in taxable years begin-  
24          ning after December 31, 2000.

1 **SEC. 302. EQUITABLE TREATMENT FOR CONTRIBUTIONS OF**  
2 **EMPLOYEES TO DEFINED CONTRIBUTION**  
3 **PLANS.**

4 (a) *EQUITABLE TREATMENT.*—

5 (1) *IN GENERAL.*—Subparagraph (B) of section  
6 415(c)(1) (relating to limitation for defined contribu-  
7 tion plans) is amended by striking “25 percent” and  
8 inserting “100 percent”.

9 (2) *APPLICATION TO SECTION 403(b).*—Section  
10 403(b) is amended—

11 (A) by striking “the exclusion allowance for  
12 such taxable year” in paragraph (1) and insert-  
13 ing “the applicable limit under section 415”;

14 (B) by striking paragraph (2); and

15 (C) by inserting “or any amount received  
16 by a former employee after the fifth taxable year  
17 following the taxable year in which such em-  
18 ployee was terminated” before the period at the  
19 end of the second sentence of paragraph (3).

20 (3) *CONFORMING AMENDMENTS.*—

21 (A) Subsection (f) of section 72 is amended  
22 by striking “section 403(b)(2)(D)(iii)” and in-  
23 serting “section 403(b)(2)(D)(iii), as in effect be-  
24 fore the enactment of the Retirement Security  
25 and Savings Act of 2000)”.

1           (B) Section 404(a)(10)(B) is amended by  
2           striking “, the exclusion allowance under section  
3           403(b)(2),”.

4           (C) Section 415(a)(2) is amended by strik-  
5           ing “, and the amount of the contribution for  
6           such portion shall reduce the exclusion allowance  
7           as provided in section 403(b)(2)”.

8           (D) Section 415(c)(3) is amended by adding  
9           at the end the following new subparagraph:

10           “(E) ANNUITY CONTRACTS.—In the case of  
11           an annuity contract described in section 403(b),  
12           the term ‘participant’s compensation’ means the  
13           participant’s includible compensation deter-  
14           mined under section 403(b)(3).”.

15           (E) Section 415(c) is amended by striking  
16           paragraph (4).

17           (F) Section 415(c)(7) is amended to read as  
18           follows:

19           “(7) CERTAIN CONTRIBUTIONS BY CHURCH  
20           PLANS NOT TREATED AS EXCEEDING LIMIT.—

21           “(A) IN GENERAL.—Notwithstanding any  
22           other provision of this subsection, at the election  
23           of a participant who is an employee of a church  
24           or a convention or association of churches, in-  
25           cluding an organization described in section



1           414(e)(3)(B)(ii), contributions and other addi-  
2           tions for an annuity contract or retirement in-  
3           come account described in section 403(b) with re-  
4           spect to such participant, when expressed as an  
5           annual addition to such participant's account,  
6           shall be treated as not exceeding the limitation  
7           of paragraph (1) if such annual addition is not  
8           in excess of \$10,000.

9           “(B) \$40,000 AGGREGATE LIMITATION.—  
10          The total amount of additions with respect to  
11          any participant which may be taken into ac-  
12          count for purposes of this subparagraph for all  
13          years may not exceed \$40,000.

14          “(C) ANNUAL ADDITION.—For purposes of  
15          this paragraph, the term ‘annual addition’ has  
16          the meaning given such term by paragraph (2).”.

17          (G) Subparagraph (B) of section 402(g)(7)  
18          (as redesignated by section 211) is amended by  
19          inserting before the period at the end the fol-  
20          lowing: “(as in effect before the enactment of the  
21          Retirement Security and Savings Act of 2000)”.

22          (3) EFFECTIVE DATE.—The amendments made  
23          by this subsection shall apply to years beginning after  
24          December 31, 2000.

25          (b) SPECIAL RULES FOR SECTIONS 403(b) AND 408.—

1           (1) *IN GENERAL.*—Subsection (k) of section 415  
2       is amended by adding at the end the following new  
3       paragraph:

4           “(4) *SPECIAL RULES FOR SECTIONS 403(b) AND*  
5       *408.*—For purposes of this section, any annuity con-  
6       tract described in section 403(b) for the benefit of a  
7       participant shall be treated as a defined contribution  
8       plan maintained by each employer with respect to  
9       which the participant has the control required under  
10      subsection (b) or (c) of section 414 (as modified by  
11      subsection (h)). For purposes of this section, any con-  
12      tribution by an employer to a simplified employee  
13      pension plan for an individual for a taxable year  
14      shall be treated as an employer contribution to a de-  
15      fined contribution plan for such individual for such  
16      year.”.

17           (2) *EFFECTIVE DATE.*—

18           (A) *IN GENERAL.*—The amendment made  
19       by paragraph (1) shall apply to limitation years  
20       beginning after December 31, 1999.

21           (B) *EXCLUSION ALLOWANCE.*—Effective for  
22       limitation years beginning in 2000, in the case  
23       of any annuity contract described in section  
24       403(b) of the Internal Revenue Code of 1986, the  
25       amount of the contribution disqualified by rea-

1           son of section 415(g) of such Code shall reduce  
2           the exclusion allowance as provided in section  
3           403(b)(2) of such Code.

4           (3) *MODIFICATION OF 403(b) EXCLUSION ALLOW-*  
5           *ANCE TO CONFORM TO 415 MODIFICATION.*—*The Sec-*  
6           *retary of the Treasury shall modify the regulations re-*  
7           *garding the exclusion allowance under section*  
8           *403(b)(2) of the Internal Revenue Code of 1986 to*  
9           *render void the requirement that contributions to a*  
10          *defined benefit pension plan be treated as previously*  
11          *excluded amounts for purposes of the exclusion allow-*  
12          *ance. For taxable years beginning after December 31,*  
13          *1999, such regulations shall be applied as if such re-*  
14          *quirement were void.*

15          (c) *DEFERRED COMPENSATION PLANS OF STATE AND*  
16          *LOCAL GOVERNMENTS AND TAX-EXEMPT ORGANIZA-*  
17          *TIONS.*—

18               (1) *IN GENERAL.*—*Subparagraph (B) of section*  
19               *457(b)(2) (relating to salary limitation on eligible de-*  
20               *ferred compensation plans) is amended by striking*  
21               *“33<sup>1</sup>/<sub>3</sub> percent” and inserting “100 percent”.*

22               (2) *EFFECTIVE DATE.*—*The amendment made by*  
23               *this subsection shall apply to years beginning after*  
24               *December 31, 2000.*

1   **SEC. 303. FASTER VESTING OF CERTAIN EMPLOYER MATCH-**  
2                                   **ING CONTRIBUTIONS.**

3           (a) *IN GENERAL.*—Section 411(a) (relating to min-  
4   imum vesting standards) is amended—

5                   (1) in paragraph (2), by striking “A plan” and  
6           inserting “Except as provided in paragraph (12), a  
7           plan”; and

8                   (2) by adding at the end the following:

9                   “(12) *FASTER VESTING FOR MATCHING CON-*  
10           *TRIBUTIONS.*—In the case of matching contributions  
11           (as defined in section 401(m)(4)(A)), paragraph (2)  
12           shall be applied—

13                           “(A) by substituting ‘3 years’ for ‘5 years’  
14                   in subparagraph (A), and

15                           “(B) by substituting the following table for  
16                   the table contained in subparagraph (B):

<b>“Years of service:</b>		<b>The nonforfeitable percentage is:</b>
2 .....	20	
3 .....	40	
4 .....	60	
5 .....	80	
6 .....	100.”.	

17           (b) *AMENDMENTS TO ERISA.*—Section 203(a) of the  
18   Employee Retirement Income Security Act of 1974 (29  
19   U.S.C. 1053(a)) is amended—

20                   (1) in paragraph (2), by striking “A plan” and  
21           inserting “Except as provided in paragraph (4), a  
22           plan”, and

1           (2) *by adding at the end the following:*

2           “*(4) FASTER VESTING FOR MATCHING CONTRIBU-*  
3           *TIONS.—In the case of matching contributions (as de-*  
4           *finied in section 401(m)(4)(A) of the Internal Revenue*  
5           *Code of 1986), paragraph (2) shall be applied—*

6                    *“(A) by substituting ‘3 years’ for ‘5 years’*  
7                    *in subparagraph (A), and*

8                    *“(B) by substituting the following table for*  
9                    *the table contained in subparagraph (B):*

<i>“Years of service:</i>		<i>The nonforfeitable</i>	
		<i>percentage is:</i>	
2	.....	20	
3	.....	40	
4	.....	60	
5	.....	80	
6	.....	100.”.	

10          (c) *EFFECTIVE DATES.—*

11               (1) *IN GENERAL.—Except as provided in para-*  
12               *graph (2), the amendments made by this section shall*  
13               *apply to contributions for plan years beginning after*  
14               *December 31, 2000.*

15               (2) *COLLECTIVE BARGAINING AGREEMENTS.—In*  
16               *the case of a plan maintained pursuant to one or*  
17               *more collective bargaining agreements between em-*  
18               *ployee representatives and one or more employers*  
19               *ratified by the date of the enactment of this Act, the*  
20               *amendments made by this section shall not apply to*  
21               *contributions on behalf of employees covered by any*

1        *such agreement for plan years beginning before the*  
2        *earlier of—*

3                *(A) the later of—*

4                        *(i) the date on which the last of such*  
5                        *collective bargaining agreements terminates*  
6                        *(determined without regard to any exten-*  
7                        *sion thereof on or after such date of the en-*  
8                        *actment); or*

9                        *(ii) January 1, 2001; or*

10                      *(B) January 1, 2005.*

11                *(3) SERVICE REQUIRED.—With respect to any*  
12                *plan, the amendments made by this section shall not*  
13                *apply to any employee before the date that such em-*  
14                *ployee has 1 hour of service under such plan in any*  
15                *plan year to which the amendments made by this sec-*  
16                *tion apply.*

17        **SEC. 304. SIMPLIFY AND UPDATE THE MINIMUM DISTRIBU-**  
18                                **TION RULES.**

19                *(a) SIMPLIFICATION AND FINALIZATION OF MINIMUM*  
20        *DISTRIBUTION REQUIREMENTS.—*

21                      *(1) IN GENERAL.—The Secretary of the Treasury*  
22        *shall—*

23                                *(A) simplify and finalize the regulations re-*  
24                                *lating to minimum distribution requirements*  
25                                *under sections 401(a)(9), 408(a)(6) and (b)(3),*

1           403(b)(10), and 457(d)(2) of the Internal Rev-  
2           enue Code of 1986; and

3           (B) modify such regulations to—

4                 (i) reflect current life expectancy; and

5                 (ii) revise the required distribution  
6           methods so that, under reasonable assump-  
7           tions, the amount of the required minimum  
8           distribution does not decrease over a par-  
9           ticipant's life expectancy.

10          (2) *FRESH START*.—Notwithstanding subpara-  
11       graph (D) of section 401(a)(9) of such Code, during  
12       the first year that regulations are in effect under this  
13       subsection, required distributions for future years  
14       may be redetermined to reflect changes under such  
15       regulations. Such redetermination shall include the  
16       opportunity to choose a new designated beneficiary  
17       and to elect a new method of calculating life expect-  
18       ancy.

19          (3) *DATE FOR REGULATIONS*.—Not later than  
20       December 31, 2001, the Secretary shall issue final reg-  
21       ulations described in paragraph (1) and such regula-  
22       tions shall apply without regard to whether an indi-  
23       vidual had previously begun receiving minimum dis-  
24       tributions.

1       (b) *REPEAL OF RULE WHERE DISTRIBUTIONS HAD*  
2 *BEGUN BEFORE DEATH OCCURS.—*

3           (1) *IN GENERAL.—*Subparagraph (B) of section  
4 401(a)(9) is amended by striking clause (i) and redesi-  
5 gnating clauses (ii), (iii), and (iv) as clauses (i),  
6 (ii), and (iii), respectively.

7           (2) *CONFORMING CHANGES.—*

8           (A) Clause (i) of section 401(a)(9)(B) (as so  
9 redesignated) is amended—

10               (i) by striking “FOR OTHER CASES” in  
11 the heading; and

12               (ii) by striking “the distribution of the  
13 employee’s interest has begun in accordance  
14 with subparagraph (A)(ii)” and inserting  
15 “his entire interest has been distributed to  
16 him”.

17           (B) Clause (ii) of section 401(a)(9)(B) (as  
18 so redesignated) is amended by striking “clause  
19 (ii)” and inserting “clause (i)”.

20           (C) Clause (iii) of section 401(a)(9)(B) (as  
21 so redesignated) is amended—

22               (i) by striking “clause (iii)(I)” and in-  
23 serting “clause (ii)(I)”;



1                   (ii) by striking “clause (iii)(III)” in  
2                   subclause (I) and inserting “clause  
3                   (ii)(III)”;

4                   (iii) by striking “the date on which the  
5                   employee would have attained age 70<sup>1</sup>/<sub>2</sub>,” in  
6                   subclause (I) and inserting “April 1 of the  
7                   calendar year following the calendar year  
8                   in which the spouse attains 70<sup>1</sup>/<sub>2</sub>,”; and

9                   (iv) by striking “the distributions to  
10                  such spouse begin,” in subclause (II) and  
11                  inserting “his entire interest has been dis-  
12                  tributed to him,”.

13               (3) *EFFECTIVE DATE.*—The amendments made  
14               by this subsection shall apply to years beginning after  
15               December 31, 2000.

16               (c) *REDUCTION IN EXCISE TAX.*—

17               (1) *IN GENERAL.*—Subsection (a) of section 4974  
18               is amended by striking “50 percent” and inserting  
19               “10 percent”.

20               (2) *EFFECTIVE DATE.*—The amendment made by  
21               this subsection shall apply to years beginning after  
22               December 31, 2000.

1 **SEC. 305. CLARIFICATION OF TAX TREATMENT OF DIVISION**  
2 **OF SECTION 457 PLAN BENEFITS UPON DI-**  
3 **VORCE.**

4 (a) *IN GENERAL.*—Section 414(p)(11) (relating to ap-  
5 plication of rules to governmental and church plans) is  
6 amended—

7 (1) by inserting “or an eligible deferred com-  
8 pensation plan (within the meaning of section  
9 457(b))” after “subsection (e)”; and

10 (2) in the heading, by striking “GOVERNMENTAL  
11 AND CHURCH PLANS” and inserting “CERTAIN OTHER  
12 PLANS”.

13 (b) *WAIVER OF CERTAIN DISTRIBUTION REQUIRE-*  
14 *MENTS.*—Paragraph (10) of section 414(p) is amended by  
15 striking “and section 409(d)” and inserting “section  
16 409(d), and section 457(d)”.

17 (c) *TAX TREATMENT OF PAYMENTS FROM A SECTION*  
18 *457 PLAN.*—Subsection (p) of section 414 is amended by  
19 redesignating paragraph (12) as paragraph (13) and in-  
20 serting after paragraph (11) the following new paragraph:

21 “(12) *TAX TREATMENT OF PAYMENTS FROM A*  
22 *SECTION 457 PLAN.*—If a distribution or payment  
23 from an eligible deferred compensation plan described  
24 in section 457(b) is made pursuant to a qualified do-  
25 mestic relations order, rules similar to the rules of

1       *section 402(e)(1)(A) shall apply to such distribution*  
2       *or payment.”.*

3       *(d) EFFECTIVE DATE.—*

4               *(1) IN GENERAL.—The amendment made by sub-*  
5       *section (c) shall apply to distributions and payments*  
6       *made after December 31, 2000.*

7               *(2) AMENDMENTS RELATING TO ASSIGNMENTS IN*  
8       *DIVORCE, ETC., PROCEEDINGS.—The amendments*  
9       *made by subsections (a) and (b) shall take effect on*  
10       *January 1, 2001, except that in the case of a domestic*  
11       *relations order entered before such date, the plan*  
12       *administrator—*

13               *(A) shall treat such order as a qualified do-*  
14       *mestic relations order if such administrator is*  
15       *paying benefits pursuant to such order on such*  
16       *date, and*

17               *(B) may treat any other such order entered*  
18       *before such date as a qualified domestic relations*  
19       *order even if such order does not meet the re-*  
20       *quirements of such amendments.*

21       **SEC. 306. PROVISIONS RELATING TO HARDSHIP DISTRIBUTIONS.**  
22

23       *(a) SAFE HARBOR RELIEF.—*

24               *(1) IN GENERAL.—The Secretary of the Treasury*  
25       *shall revise the regulations relating to hardship dis-*

1        *tributions under section 401(k)(2)(B)(i)(IV) of the In-*  
2        *ternal Revenue Code of 1986 to provide that the pe-*  
3        *riod an employee is prohibited from making elective*  
4        *and employee contributions in order for a distribu-*  
5        *tion to be deemed necessary to satisfy financial need*  
6        *shall be equal to 6 months.*

7            (2) *EFFECTIVE DATE.*—*The revised regulations*  
8        *under this subsection shall apply to years beginning*  
9        *after December 31, 2000.*

10        (b) *HARDSHIP DISTRIBUTIONS NOT TREATED AS ELI-*  
11        *GIBLE ROLLOVER DISTRIBUTIONS.*—

12            (1) *MODIFICATION OF DEFINITION OF ELIGIBLE*  
13        *ROLLOVER.*—*Section 402(c)(4)(C) (relating to eligible*  
14        *rollover distribution) is amended by striking “de-*  
15        *scribed in section 401(k)(2)(B)(i)(IV)” and inserting*  
16        *“under the terms of the plan”.*

17            (2) *EFFECTIVE DATE.*—

18            (1) *IN GENERAL.*—*The amendment made by this*  
19        *subsection shall apply to distributions made after De-*  
20        *cember 31, 2000.*

21            (2) *TRANSITION REGULATIONS.*—*The Secretary*  
22        *of the Treasury may promulgate regulations to pro-*  
23        *vide transitional guidance with respect to the amend-*  
24        *ments made by this subsection in order to allow suffi-*  
25        *cient time for plans to implement such amendments.*

1 **SEC. 307. WAIVER OF TAX ON NONDEDUCTIBLE CONTRIBU-**  
2 **TIONS FOR DOMESTIC OR SIMILAR WORKERS.**

3 (a) *IN GENERAL.*—Section 4972(c)(6) (relating to ex-  
4 ceptions to nondeductible contributions), as amended by sec-  
5 tion 502, is amended by striking “and” at the end of sub-  
6 paragraph (A), by striking the period and inserting “, and”  
7 at the end of subparagraph (B), and by inserting after sub-  
8 paragraph (B) the following new subparagraph:

9 “(C) so much of the contributions to a sim-  
10 ple retirement account (within the meaning of  
11 section 408(p)) or a simple plan (within the  
12 meaning of section 401(k)(11)) which are not de-  
13 ductible when contributed solely because such  
14 contributions are not made in connection with a  
15 trade or business of the employer.”

16 (b) *EXCLUSION OF CERTAIN CONTRIBUTIONS.*—Sec-  
17 tion 4972(c)(6) is amended by adding at the end the fol-  
18 lowing new sentence: “Subparagraph (C) shall not apply  
19 to contributions made on behalf of the employer or a mem-  
20 ber of the employer’s family.”

21 (c) *EFFECTIVE DATE.*—The amendments made by this  
22 section shall apply to taxable years beginning after Decem-  
23 ber 31, 2000.

1 ***TITLE IV—INCREASING PORT-***  
2 ***ABILITY FOR PARTICIPANTS***

3 ***SEC. 401. ROLLOVERS ALLOWED AMONG VARIOUS TYPES OF***  
4 ***PLANS.***

5 *(a) ROLLOVERS FROM AND TO SECTION 457 PLANS.—*

6 *(1) ROLLOVERS FROM SECTION 457 PLANS.—*

7 *(A) IN GENERAL.—Section 457(e) (relating*  
8 *to other definitions and special rules) is amend-*  
9 *ed by adding at the end the following:*

10 *“(16) ROLLOVER AMOUNTS.—*

11 *“(A) GENERAL RULE.—In the case of an el-*  
12 *igible deferred compensation plan established*  
13 *and maintained by an employer described in*  
14 *subsection (e)(1)(A), if—*

15 *“(i) any portion of the balance to the*  
16 *credit of an employee in such plan is paid*  
17 *to such employee in an eligible rollover dis-*  
18 *tribution (within the meaning of section*  
19 *402(c)(4) without regard to subparagraph*  
20 *(C) thereof),*

21 *“(ii) the employee transfers any por-*  
22 *tion of the property such employee receives*  
23 *in such distribution to an eligible retire-*  
24 *ment plan described in section 402(c)(8)(B),*  
25 *and*

1                   “(iii) in the case of a distribution of  
2                   property other than money, the amount so  
3                   transferred consists of the property distrib-  
4                   uted,  
5                   then such distribution (to the extent so trans-  
6                   ferred) shall not be includible in gross income for  
7                   the taxable year in which paid.

8                   “(B) CERTAIN RULES MADE APPLICABLE.—  
9                   The rules of paragraphs (2) through (7) and (9)  
10                  of section 402(c) and section 402(f) shall apply  
11                  for purposes of subparagraph (A).

12                  “(C) REPORTING.—Rollovers under this  
13                  paragraph shall be reported to the Secretary in  
14                  the same manner as rollovers from qualified re-  
15                  tirement plans (as defined in section 4974(c)).”.

16                  (B) DEFERRAL LIMIT DETERMINED WITH-  
17                  OUT REGARD TO ROLLOVER AMOUNTS.—Section  
18                  457(b)(2) (defining eligible deferred compensa-  
19                  tion plan) is amended by inserting “(other than  
20                  rollover amounts)” after “taxable year”.

21                  (C) DIRECT ROLLOVER.—Paragraph (1) of  
22                  section 457(d) is amended by striking “and” at  
23                  the end of subparagraph (A), by striking the pe-  
24                  riod at the end of subparagraph (B) and insert-

1           ing “, and”, and by inserting after subpara-  
2           graph (B) the following:

3           “(C) in the case of a plan maintained by  
4           an employer described in subsection (e)(1)(A),  
5           the plan meets requirements similar to the re-  
6           quirements of section 401(a)(31).

7           Any amount transferred in a direct trustee-to-trustee  
8           transfer in accordance with section 401(a)(31) shall  
9           not be includible in gross income for the taxable year  
10          of transfer.”.

11           (D) WITHHOLDING.—

12           (i) Paragraph (12) of section 3401(a)  
13           is amended by adding at the end the fol-  
14           lowing:

15           “(E) under or to an eligible deferred com-  
16           pensation plan which, at the time of such pay-  
17           ment, is a plan described in section 457(b)  
18           maintained by an employer described in section  
19           457(e)(1)(A), or”.

20           (ii) Paragraph (3) of section 3405(c) is  
21           amended to read as follows:

22           “(3) ELIGIBLE ROLLOVER DISTRIBUTION.—For  
23           purposes of this subsection, the term ‘eligible rollover  
24           distribution’ has the meaning given such term by sec-  
25           tion 402(f)(2)(A).”.



1                   (iii) *LIABILITY FOR WITHHOLDING.*—

2                   *Subparagraph (B) of section 3405(d)(2) is*  
3                   *amended by striking “or” at the end of*  
4                   *clause (ii), by striking the period at the end*  
5                   *of clause (iii) and inserting “, or”, and by*  
6                   *adding at the end the following:*

7                   “(iv) *section 457(b).*”.

8                   (2) *ROLLOVERS TO SECTION 457 PLANS.*—

9                   (A) *IN GENERAL.*—Section 402(c)(8)(B)  
10                  *(defining eligible retirement plan) is amended by*  
11                  *striking “and” at the end of clause (iii), by*  
12                  *striking the period at the end of clause (iv) and*  
13                  *inserting “, and”, and by inserting after clause*  
14                  *(iv) the following new clause:*

15                  “(v) *an eligible deferred compensation*  
16                  *plan described in section 457(b) of an em-*  
17                  *ployer described in section 457(e)(1)(A).*”.

18                  (B) *SEPARATE ACCOUNTING.*—Section  
19                  402(c) is amended by adding at the end the fol-  
20                  *lowing new paragraph:*

21                  “(11) *SEPARATE ACCOUNTING.*—Unless a plan  
22                  *described in clause (v) of paragraph (8)(B) agrees to*  
23                  *separately account for amounts rolled into such plan*  
24                  *from eligible retirement plans not described in such*  
25                  *clause, the plan described in such clause may not ac-*

1        *cept transfers or rollovers from such retirement*  
2        *plans.”.*

3                (C) 10 PERCENT ADDITIONAL TAX.—Sub-  
4        *section (t) of section 72 (relating to 10-percent*  
5        *additional tax on early distributions from quali-*  
6        *fied retirement plans) is amended by adding at*  
7        *the end the following new paragraph:*

8                “(9) SPECIAL RULE FOR ROLLOVERS TO SECTION  
9        *457 PLANS.—For purposes of this subsection, a dis-*  
10       *tribution from an eligible deferred compensation plan*  
11       *(as defined in section 457(b)) of an employer de-*  
12       *scribed in section 457(e)(1)(A) shall be treated as a*  
13       *distribution from a qualified retirement plan de-*  
14       *scribed in 4974(c)(1) to the extent that such distribu-*  
15       *tion is attributable to an amount transferred to an el-*  
16       *igible deferred compensation plan from a qualified re-*  
17       *irement plan (as defined in section 4974(c)).”.*

18        (b) ALLOWANCE OF ROLLOVERS FROM AND TO 403(b)  
19       *PLANS.—*

20                (1) ROLLOVERS FROM SECTION 403(b) PLANS.—  
21        *Section 403(b)(8)(A)(ii) (relating to rollover*  
22        *amounts) is amended by striking “such distribution”*  
23        *and all that follows and inserting “such distribution*  
24        *to an eligible retirement plan described in section*  
25        *402(c)(8)(B), and”.*

1           (2) *ROLLOVERS TO SECTION 403(b) PLANS.*—Sec-  
2           tion 402(c)(8)(B) (defining eligible retirement plan),  
3           as amended by subsection (a), is amended by striking  
4           “and” at the end of clause (iv), by striking the period  
5           at the end of clause (v) and inserting “, and”, and  
6           by inserting after clause (v) the following new clause:

7                       “(vi) an annuity contract described in  
8                       section 403(b).”.

9           (c) *EXPANDED EXPLANATION TO RECIPIENTS OF*  
10          *ROLLOVER DISTRIBUTIONS.*—Paragraph (1) of section  
11          402(f) (relating to written explanation to recipients of dis-  
12          tributions eligible for rollover treatment) is amended by  
13          striking “and” at the end of subparagraph (C), by striking  
14          the period at the end of subparagraph (D) and inserting  
15          “, and”, and by adding at the end the following new sub-  
16          paragraph:

17                       “(E) of the provisions under which distribu-  
18                       tions from the eligible retirement plan receiving  
19                       the distribution may be subject to restrictions  
20                       and tax consequences which are different from  
21                       those applicable to distributions from the plan  
22                       making such distribution.”.

23          (d) *SPOUSAL ROLLOVERS.*—Section 402(c)(9) (relat-  
24          ing to rollover where spouse receives distribution after death

1 *of employee) is amended by striking “; except that” and*  
2 *all that follows up to the end period.*

3 *(e) CONFORMING AMENDMENTS.—*

4 *(1) Section 72(o)(4) is amended by striking “and*  
5 *408(d)(3)” and inserting “403(b)(8), 408(d)(3), and*  
6 *457(e)(16)”.*

7 *(2) Section 219(d)(2) is amended by striking “or*  
8 *408(d)(3)” and inserting “408(d)(3), or 457(e)(16)”.*

9 *(3) Section 401(a)(31)(B) is amended by strik-*  
10 *ing “and 403(a)(4)” and inserting “, 403(a)(4),*  
11 *403(b)(8), and 457(e)(16)”.*

12 *(4) Subparagraph (A) of section 402(f)(2) is*  
13 *amended by striking “or paragraph (4) of section*  
14 *403(a)” and inserting “, paragraph (4) of section*  
15 *403(a), subparagraph (A) of section 403(b)(8), or sub-*  
16 *paragraph (A) of section 457(e)(16)”.*

17 *(5) Paragraph (1) of section 402(f) is amended*  
18 *by striking “from an eligible retirement plan”.*

19 *(6) Subparagraphs (A) and (B) of section*  
20 *402(f)(1) are amended by striking “another eligible*  
21 *retirement plan” and inserting “an eligible retire-*  
22 *ment plan”.*

23 *(7) Subparagraph (B) of section 403(b)(8) is*  
24 *amended to read as follows:*

1                   “(B) *CERTAIN RULES MADE APPLICABLE.*—  
2                   *The rules of paragraphs (2) through (7) and (9)*  
3                   *of section 402(c) and section 402(f) shall apply*  
4                   *for purposes of subparagraph (A), except that*  
5                   *section 402(f) shall be applied to the payor in*  
6                   *lieu of the plan administrator.”.*

7                   (8) *Section 408(a)(1) is amended by striking “or*  
8                   *403(b)(8),” and inserting “403(b)(8), or 457(e)(16)”.*

9                   (9) *Subparagraphs (A) and (B) of section*  
10                  *415(b)(2) are each amended by striking “and*  
11                  *408(d)(3)” and inserting “403(b)(8), 408(d)(3), and*  
12                  *457(e)(16)”.*

13                  (10) *Section 415(c)(2) is amended by striking*  
14                  *“and 408(d)(3)” and inserting “408(d)(3), and*  
15                  *457(e)(16)”.*

16                  (11) *Section 4973(b)(1)(A) is amended by strik-*  
17                  *ing “or 408(d)(3)” and inserting “408(d)(3), or*  
18                  *457(e)(16)”.*

19                  (f) *EFFECTIVE DATE; SPECIAL RULE.*—

20                  (1) *EFFECTIVE DATE.*—*The amendments made*  
21                  *by this section shall apply to distributions after De-*  
22                  *cember 31, 2001.*

23                  (2) *SPECIAL RULE.*—*Notwithstanding any other*  
24                  *provision of law, subsections (h)(3) and (h)(5) of sec-*  
25                  *tion 1122 of the Tax Reform Act of 1986 shall not*

1      *apply to any distribution from an eligible retirement*  
2      *plan (as defined in clause (iii) or (iv) of section*  
3      *402(c)(8)(B) of the Internal Revenue Code of 1986) on*  
4      *behalf of an individual if there was a rollover to such*  
5      *plan on behalf of such individual which is permitted*  
6      *solely by reason of any amendment made by this sec-*  
7      *tion.*

8 SEC. 402. ROLLOVERS OF IRAS INTO WORKPLACE RETIRE-  
9 MENT PLANS.

10 (a) IN GENERAL.—Subparagraph (A) of section  
11 408(d)(3) (relating to rollover amounts) is amended by add-  
12 ing “or” at the end of clause (i), by striking clauses (ii)  
13 and (iii), and by adding at the end the following:

“(ii) the entire amount received (including money and any other property) is paid into an eligible retirement plan for the benefit of such individual not later than the 60th day after the date on which the payment or distribution is received, except that the maximum amount which may be paid into such plan may not exceed the portion of the amount received which is includible in gross income (determined without regard to this paragraph).

1           *For purposes of clause (ii), the term ‘eligible re-*  
2           *irement plan’ means an eligible retirement plan*  
3           *described in clause (iii), (iv), (v), or (vi) of sec-*  
4           *tion 402(c)(8)(B).’.*

5           ***(b) CONFORMING AMENDMENTS.—***

6           *(1) Paragraph (1) of section 403(b) is amended*  
7           *by striking “section 408(d)(3)(A)(iii)” and inserting*  
8           *“section 408(d)(3)(A)(ii)”.*

9           *(2) Clause (i) of section 408(d)(3)(D) is amended*  
10          *by striking “(i), (ii), or (iii)” and inserting “(i) or*  
11          *(ii)”.*

12          *(3) Subparagraph (G) of section 408(d)(3) is*  
13          *amended to read as follows:*

14                ***“(G) SIMPLE RETIREMENT ACCOUNTS.—In***  
15                *the case of any payment or distribution out of*  
16                *a simple retirement account (as defined in sub-*  
17                *section (p)) to which section 72(t)(6) applies,*  
18                *this paragraph shall not apply unless such pay-*  
19                *ment or distribution is paid into another simple*  
20                *retirement account.”.*

21          ***(c) EFFECTIVE DATE; SPECIAL RULE.—***

22                ***(1) EFFECTIVE DATE.—The amendments made***  
23                *by this section shall apply to distributions after De-*  
24                *cember 31, 2001.*

1           (2) *SPECIAL RULE.*—Notwithstanding any other  
2           provision of law, subsections (h)(3) and (h)(5) of sec-  
3           tion 1122 of the Tax Reform Act of 1986 shall not  
4           apply to any distribution from an eligible retirement  
5           plan (as defined in clause (iii) or (iv) of section  
6           402(c)(8)(B) of the Internal Revenue Code of 1986) on  
7           behalf of an individual if there was a rollover to such  
8           plan on behalf of such individual which is permitted  
9           solely by reason of the amendments made by this sec-  
10          tion.

11 **SEC. 403. ROLLOVERS OF AFTER-TAX CONTRIBUTIONS.**

12          (a) *ROLLOVERS FROM EXEMPT TRUSTS.*—Paragraph  
13       (2) of section 402(c) (relating to maximum amount which  
14       may be rolled over) is amended by adding at the end the  
15       following: “The preceding sentence shall not apply to such  
16       distribution to the extent—

17               “(A) such portion is transferred in a direct  
18               trustee-to-trustee transfer to a qualified trust  
19               which is part of a plan which is a defined con-  
20               tribution plan and which agrees to separately  
21               account for amounts so transferred, including  
22               separately accounting for the portion of such dis-  
23               tribution which is includible in gross income  
24               and the portion of such distribution which is not  
25               so includible, or



1                   “(B) such portion is transferred to an eligi-  
2                   ble retirement plan described in clause (i) or (ii)  
3                   of paragraph (8)(B).”.

4           (b) *OPTIONAL DIRECT TRANSFER OF ELIGIBLE ROLL-*  
5 *OVER DISTRIBUTIONS.*—Subparagraph (B) of section  
6 401(a)(31) (relating to limitation) is amended by adding  
7 at the end the following: “The preceding sentence shall not  
8 apply to such distribution if the plan to which such dis-  
9 tribution is transferred—

10                   “(i) agrees to separately account for  
11                   amounts so transferred, including sepa-  
12                   rately accounting for the portion of such  
13                   distribution which is includible in gross in-  
14                   come and the portion of such distribution  
15                   which is not so includible, or

16                   “(ii) is an eligible retirement plan de-  
17                   scribed in clause (i) or (ii) of section  
18                   402(c)(8)(B).”.

19           (c) *RULES FOR APPLYING SECTION 72 TO IRAS.*—  
20 Paragraph (3) of section 408(d) (relating to special rules  
21 for applying section 72) is amended by inserting at the end  
22 the following:

23                   “(H) *APPLICATION OF SECTION 72.*—

24                   “(i) *IN GENERAL.*—If—

1                   “(I) a distribution is made from  
2                   an individual retirement plan, and

3                   “(II) a rollover contribution is  
4                   made to an eligible retirement plan de-  
5                   scribed in section 402(c)(8)(B)(iii),  
6                   (iv), (v), or (vi) with respect to all or  
7                   part of such distribution,

8                   then, notwithstanding paragraph (2), the  
9                   rules of clause (ii) shall apply for purposes  
10                  of applying section 72.

11                  “(ii) *APPLICABLE RULES.*—In the case  
12                  of a distribution described in clause (i)—

13                   “(I) section 72 shall be applied  
14                   separately to such distribution,

15                   “(II) notwithstanding the pro  
16                   rata allocation of income on, and in-  
17                   vestment in, the contract to distribu-  
18                   tions under section 72, the portion of  
19                   such distribution rolled over to an eli-  
20                   gible retirement plan described in  
21                   clause (i) shall be treated as from in-  
22                   come on the contract (to the extent of  
23                   the aggregate income on the contract  
24                   from all individual retirement plans of  
25                   the distributee), and

1                   “(III) appropriate adjustments  
2                   shall be made in applying section 72 to  
3                   other distributions in such taxable year  
4                   and subsequent taxable years.”.

5           (d) *EFFECTIVE DATE.*—The amendments made by this  
6 section shall apply to distributions made after December 31,  
7 2001.

8 **SEC. 404. HARDSHIP EXCEPTION TO 60-DAY RULE.**

9           (a) *EXEMPT TRUSTS.*—Paragraph (3) of section  
10 402(c) (relating to transfer must be made within 60 days  
11 of receipt) is amended to read as follows:

12                   “(3) *TRANSFER MUST BE MADE WITHIN 60 DAYS*  
13 *OF RECEIPT.*—

14                   “(A) *IN GENERAL.*—Except as provided in  
15 subparagraph (B), paragraph (1) shall not  
16 apply to any transfer of a distribution made  
17 after the 60th day following the day on which the  
18 distributee received the property distributed.

19                   “(B) *HARDSHIP EXCEPTION.*—The Sec-  
20 retary may waive the 60-day requirement under  
21 subparagraph (A) where the failure to waive  
22 such requirement would be against equity or  
23 good conscience, including casualty, disaster, or  
24 other events beyond the reasonable control of the  
25 individual subject to such requirement.”.

1       (b) *IRAs.*—Paragraph (3) of section 408(d) (relating  
2 to rollover contributions), as amended by section 403, is  
3 amended by adding after subparagraph (H) the following  
4 new subparagraph:

5               “(I) *WAIVER OF 60-DAY REQUIREMENT.*—  
6       The Secretary may waive the 60-day require-  
7 ment under subparagraphs (A) and (D) where  
8 the failure to waive such requirement would be  
9 against equity or good conscience, including cas-  
10 ualty, disaster, or other events beyond the rea-  
11 sonable control of the individual subject to such  
12 requirement.”.

13       (c) *EFFECTIVE DATE.*—The amendments made by this  
14 section shall apply to distributions after December 31, 2000.

15 **SEC. 405. TREATMENT OF FORMS OF DISTRIBUTION.**

16       (a) *PLAN TRANSFERS.*—

17               (1) *AMENDMENT OF INTERNAL REVENUE*  
18 *CODE.*—Paragraph (6) of section 411(d) (relating to  
19 accrued benefit not to be decreased by amendment), as  
20 amended by section 522(a)(1), is amended by adding  
21 at the end the following:

22               “(E) *PLAN TRANSFERS.*—

23               “(i) *IN GENERAL.*—A defined contribu-  
24 tion plan (in this subparagraph referred to  
25 as the ‘transferee plan’) shall not be treated

1           *as failing to meet the requirements of this*  
2           *subsection merely because the transferee*  
3           *plan does not provide some or all of the*  
4           *forms of distribution previously available*  
5           *under another defined contribution plan (in*  
6           *this subparagraph referred to as the ‘trans-*  
7           *feror plan’) to the extent that—*

8                     *“(I) the forms of distribution pre-*  
9                     *viously available under the transferor*  
10                    *plan applied to the account of a par-*  
11                    *ticipant or beneficiary under the*  
12                    *transferor plan that was transferred*  
13                    *from the transferor plan to the trans-*  
14                    *feree plan pursuant to a direct transfer*  
15                    *rather than pursuant to a distribution*  
16                    *from the transferor plan,*

17                    *“(II) the terms of both the trans-*  
18                    *feror plan and the transferee plan au-*  
19                    *thorize the transfer described in sub-*  
20                    *clause (I),*

21                    *“(III) the transfer described in*  
22                    *subclause (I) was made pursuant to a*  
23                    *voluntary election by the participant*  
24                    *or beneficiary whose account was*  
25                    *transferred to the transferee plan,*

1                   “(IV) the election described in  
2                   subclause (III) was made after the par-  
3                   ticipant or beneficiary received a no-  
4                   tice describing the consequences of  
5                   making the election, and

6                   “(V) the transferee plan allows the  
7                   participant or beneficiary described in  
8                   subclause (III) to receive any distribu-  
9                   tion to which the participant or bene-  
10                  ficiary is entitled under the transferee  
11                  plan in the form of a single sum dis-  
12                  tribution.

13                  “(ii) *SPECIAL RULE FOR MERGERS,*  
14                  *ETC.—Clause (i) shall apply to plan merg-*  
15                  *ers and other transactions having the effect*  
16                  *of a direct transfer, including consolidations*  
17                  *of benefits attributable to different employ-*  
18                  *ers within a multiple employer plan.”.*

19                  (2) *AMENDMENT TO ERISA.—Section 204(g) of*  
20                  *the Employee Retirement Income Security Act of*  
21                  *1974 (29 U.S.C. 1054(g)), as amended by section*  
22                  *522(b)(1), is amended by adding at the end the fol-*  
23                  *lowing:*

24                  “(5)(A) *A defined contribution plan (in this subpara-*  
25                  *graph referred to as the ‘transferee plan’) shall not be treat-*

1 *ed as failing to meet the requirements of this subsection*  
2 *merely because the transferee plan does not provide some*  
3 *or all of the forms of distribution previously available under*  
4 *another defined contribution plan (in this subparagraph re-*  
5 *ferred to as the ‘transferor plan’) to the extent that—*

6           *“(i) the forms of distribution previously avail-*  
7           *able under the transferor plan applied to the account*  
8           *of a participant or beneficiary under the transferor*  
9           *plan that was transferred from the transferor plan to*  
10           *the transferee plan pursuant to a direct transfer rath-*  
11           *er than pursuant to a distribution from the transferor*  
12           *plan;*

13           *“(ii) the terms of both the transferor plan and*  
14           *the transferee plan authorize the transfer described in*  
15           *clause (i);*

16           *“(iii) the transfer described in clause (i) was*  
17           *made pursuant to a voluntary election by the partici-*  
18           *pant or beneficiary whose account was transferred to*  
19           *the transferee plan;*

20           *“(iv) the election described in clause (iii) was*  
21           *made after the participant or beneficiary received a*  
22           *notice describing the consequences of making the elec-*  
23           *tion; and*

24           *“(v) the transferee plan allows the participant or*  
25           *beneficiary described in clause (iii) to receive any dis-*

1        *tribution to which the participant or beneficiary is*  
2        *entitled under the transferee plan in the form of a*  
3        *single sum distribution.*

4        *“(B) Subparagraph (A) shall apply to plan mergers*  
5        *and other transactions having the effect of a direct transfer,*  
6        *including consolidations of benefits attributable to different*  
7        *employers within a multiple employer plan.”.*

8                (3) *EFFECTIVE DATE.*—*The amendments made*  
9        *by this subsection shall apply to years beginning after*  
10       *December 31, 2000.*

11       (b) *REGULATIONS.*—

12                (1) *AMENDMENT TO INTERNAL REVENUE*  
13       *CODE.*—*The last sentence of paragraph (6)(B) of sec-*  
14       *tion 411(d) (relating to accrued benefit not to be de-*  
15       *creased by amendment) is amended to read as follows:*

16       *“The Secretary shall by regulations provide that this*  
17       *subparagraph shall not apply to any plan amend-*  
18       *ment which reduces or eliminates benefits or subsidies*  
19       *which create significant burdens or complexities for*  
20       *the plan and plan participants, unless such amend-*  
21       *ment adversely affects the rights of any participant in*  
22       *a more than de minimis manner.”.*

23                (2) *AMENDMENT TO ERISA.*—*The last sentence of*  
24       *section 204(g)(2) of the Employee Retirement Income*  
25       *Security Act of 1974 (29 U.S.C. 1054(g)(2)) is*



1        *amended to read as follows: “The Secretary of the*  
2        *Treasury shall by regulations provide that this para-*  
3        *graph shall not apply to any plan amendment which*  
4        *reduces or eliminates benefits or subsidies which cre-*  
5        *ate significant burdens or complexities for the plan*  
6        *and plan participants, unless such amendment ad-*  
7        *versely affects the rights of any participant in a more*  
8        *than de minimis manner.”.*

9            (2) *SECRETARY DIRECTED.—Except as provided*  
10        *in section 522(d), not later than December 31, 2001,*  
11        *the Secretary of the Treasury is directed to issue regu-*  
12        *lations under section 411(d)(6) of the Internal Rev-*  
13        *enue Code of 1986 and section 204(g) of the Employee*  
14        *Retirement Income Security Act of 1974, including*  
15        *the regulations required by the amendment made by*  
16        *this subsection. Such regulations shall apply to plan*  
17        *years beginning after December 31, 2001, or such ear-*  
18        *lier date as is specified by the Secretary of the Treas-*  
19        *ury.*

20        **SEC. 406. RATIONALIZATION OF RESTRICTIONS ON DIS-**  
21        **TRIBUTIONS.**

22        (a) *MODIFICATION OF SAME DESK EXCEPTION.—*

23            (1) *SECTION 401(k).—*

24                    (A) *Section 401(k)(2)(B)(i)(I) (relating to*  
25                    *qualified cash or deferred arrangements) is*

1           *amended by striking “separation from service”*  
2           *and inserting “severance from employment”.*

3           *(B) Subparagraph (A) of section 401(k)(10)*  
4           *(relating to distributions upon termination of*  
5           *plan or disposition of assets or subsidiary) is*  
6           *amended to read as follows:*

7           *“(A) IN GENERAL.—An event described in*  
8           *this subparagraph is the termination of the plan*  
9           *without establishment or maintenance of another*  
10           *defined contribution plan (other than an em-*  
11           *ployee stock ownership plan as defined in section*  
12           *4975(e)(7)).”.*

13           *(C) Section 401(k)(10) is amended—*

14           *(i) in subparagraph (B)—*

15                   *(I) by striking “An event” in*  
16                   *clause (i) and inserting “A termi-*  
17                   *nation”; and*

18                   *(II) by striking “the event” in*  
19                   *clause (i) and inserting “the termi-*  
20                   *nation”;*

21                   *(ii) by striking subparagraph (C); and*

22                   *(iii) by striking “OR DISPOSITION OF*  
23                   *ASSETS OR SUBSIDIARY” in the heading.*

24           *(2) SECTION 403(b).—*

1           (A) Paragraphs (7)(A)(ii) and (11)(A) of  
2           section 403(b) are each amended by striking  
3           “separates from service” and inserting “has a  
4           severance from employment”.

5           (B) The heading for paragraph (11) of sec-  
6           tion 403(b) is amended by striking “SEPARATION  
7           FROM SERVICE” and inserting “SEVERANCE  
8           FROM EMPLOYMENT”.

9           (3) SECTION 457.—Clause (ii) of section  
10          457(d)(1)(A) is amended by striking “is separated  
11          from service” and inserting “has a severance from  
12          employment”.

13          (b) EFFECTIVE DATE.—The amendments made by this  
14          section shall apply to distributions after December 31, 2000.

15          **SEC. 407. PURCHASE OF SERVICE CREDIT IN GOVERN-**  
16          **MENTAL DEFINED BENEFIT PLANS.**

17          (a) 403(b) PLANS.—Subsection (b) of section 403 is  
18          amended by adding at the end the following new paragraph:

19               “(13) TRUSTEE-TO-TRUSTEE TRANSFERS TO  
20          PURCHASE PERMISSIVE SERVICE CREDIT.—No  
21          amount shall be includible in gross income by reason  
22          of a direct trustee-to-trustee transfer to a defined ben-  
23          efit governmental plan (as defined in section 414(d))  
24          if such transfer is—

1                   “(A) for the purchase of permissive service  
2                   credit (as defined in section 415(n)(3)(A)) under  
3                   such plan, or

4                   “(B) a repayment to which section 415 does  
5                   not apply by reason of subsection (k)(3) there-  
6                   of.”.

7           (b) 457 PLANS.—Subsection (e) of section 457 is  
8           amended by adding after paragraph (16) the following new  
9           paragraph:

10                   “(17) TRUSTEE-TO-TRUSTEE TRANSFERS TO  
11                   PURCHASE PERMISSIVE SERVICE CREDIT.—No  
12                   amount shall be includible in gross income by reason  
13                   of a direct trustee-to-trustee transfer to a defined ben-  
14                   efit governmental plan (as defined in section 414(d))  
15                   if such transfer is—

16                   “(A) for the purchase of permissive service  
17                   credit (as defined in section 415(n)(3)(A)) under  
18                   such plan, or

19                   “(B) a repayment to which section 415 does  
20                   not apply by reason of subsection (k)(3) there-  
21                   of.”.

22           (c) EFFECTIVE DATE.—The amendments made by this  
23           section shall apply to trustee-to-trustee transfers after De-  
24           cember 31, 2000.

1 **SEC. 408. EMPLOYERS MAY DISREGARD ROLLOVERS FOR**  
2 **PURPOSES OF CASH-OUT AMOUNTS.**

3 (a) *QUALIFIED PLANS.*—Section 411(a)(11) (relating  
4 to restrictions on certain mandatory distributions) is  
5 amended by adding at the end the following:

6 “(D) *SPECIAL RULE FOR ROLLOVER CON-*  
7 *TRIBUTIONS.*—A plan shall not fail to meet the  
8 requirements of this paragraph if, under the  
9 terms of the plan, the present value of the non-  
10 forfeitable accrued benefit is determined without  
11 regard to that portion of such benefit which is  
12 attributable to rollover contributions (and earn-  
13 ings allocable thereto). For purposes of this sub-  
14 paragraph, the term ‘rollover contributions’  
15 means any rollover contribution under sections  
16 402(c), 403(a)(4), 403(b)(8), 408(d)(3)(A)(ii),  
17 and 457(e)(16).”.

18 (b) *ELIGIBLE DEFERRED COMPENSATION PLANS.*—  
19 Clause (i) of section 457(e)(9)(A) is amended by striking  
20 “such amount” and inserting “the portion of such amount  
21 which is not attributable to rollover contributions (as de-  
22 fined in section 411(a)(11)(D))”.

23 (c) *EFFECTIVE DATE.*—The amendments made by this  
24 section shall apply to distributions after December 31, 2000.

1 **SEC. 409. MINIMUM DISTRIBUTION AND INCLUSION RE-**  
2 **QUIREMENTS FOR SECTION 457 PLANS.**

3 (a) *MINIMUM DISTRIBUTION REQUIREMENTS.*—Para-  
4 *graph (2) of section 457(d) (relating to distribution require-*  
5 *ments) is amended to read as follows:*

6 “(2) *MINIMUM DISTRIBUTION REQUIREMENTS.*—  
7 *A plan meets the minimum distribution requirements*  
8 *of this paragraph if such plan meets the requirements*  
9 *of section 401(a)(9).”.*

10 (b) *INCLUSION IN GROSS INCOME.*—

11 (1) *YEAR OF INCLUSION.*—*Subsection (a) of sec-*  
12 *tion 457 (relating to year of inclusion in gross in-*  
13 *come) is amended to read as follows:*

14 “(a) *YEAR OF INCLUSION IN GROSS INCOME.*—

15 “(1) *IN GENERAL.*—*Any amount of compensa-*  
16 *tion deferred under an eligible deferred compensation*  
17 *plan, and any income attributable to the amounts so*  
18 *deferred, shall be includible in gross income only for*  
19 *the taxable year in which such compensation or other*  
20 *income—*

21 “(A) *is paid to the participant or other ben-*  
22 *eficiary, in the case of a plan of an eligible em-*  
23 *ployer described in subsection (e)(1)(A), and*

24 “(B) *is paid or otherwise made available to*  
25 *the participant or other beneficiary, in the case*

1           *of a plan of an eligible employer described in*  
2           *subsection (e)(1)(B).*

3           “(2) *SPECIAL RULE FOR ROLLOVER AMOUNTS.—*  
4           *To the extent provided in section 72(t)(9), section*  
5           *72(t) shall apply to any amount includible in gross*  
6           *income under this subsection.”.*

7           (2) *CONFORMING AMENDMENTS.—*

8                   (A) *So much of paragraph (9) of section*  
9                   *457(e) as precedes subparagraph (A) is amended*  
10                  *to read as follows:*

11                  “(9) *BENEFITS OF TAX EXEMPT ORGANIZATION*  
12                  *PLANS NOT TREATED AS MADE AVAILABLE BY REASON*  
13                  *OF CERTAIN ELECTIONS, ETC.—In the case of an eligi-*  
14                  *ble deferred compensation plan of an employer de-*  
15                  *scribed in subsection (e)(1)(B)—”.*

16                  (B) *Section 457(d) is amended by adding at*  
17                  *the end the following new paragraph:*

18                  “(3) *SPECIAL RULE FOR GOVERNMENT PLAN.—*  
19                  *An eligible deferred compensation plan of an em-*  
20                  *ployer described in subsection (e)(1)(A) shall not be*  
21                  *treated as failing to meet the requirements of this sub-*  
22                  *section solely by reason of making a distribution de-*  
23                  *scribed in subsection (e)(9)(A).”.*

24                  (c) *MODIFICATION OF TRANSITION RULES FOR EXIST-*  
25                  *ING 457 PLANS.—*

1           (1) *IN GENERAL.*—Section 1107(c)(3)(B) of the  
2           *Tax Reform Act of 1986 is amended by striking “or”*  
3           *at the end of clause (i), by striking the period at the*  
4           *end of clause (ii) and inserting “, or” and by insert-*  
5           *ing after clause (ii) the following new clause:*

6                     *“(iii) are deferred pursuant to an*  
7                     *agreement with an individual covered by an*  
8                     *agreement described in clause (ii), to the ex-*  
9                     *tent the annual amount under such agree-*  
10                    *ment with the individual does not exceed—*

11                    *“(I) the amount described in*  
12                    *clause (ii)(II), multiplied by*

13                    *“(II) the cumulative increase in*  
14                    *the Consumer Price Index (as pub-*  
15                    *lished by the Bureau of Labor Statis-*  
16                    *tics of the Department of Labor).”.*

17           (2) *CONFORMING AMENDMENT.*—The fourth sen-  
18           *tence of section 1107(c)(3)(B) of the Tax Reform Act*  
19           *of 1986 is amended by striking “This subparagraph”*  
20           *and inserting “Clauses (i) and (ii) of this subpara-*  
21           *graph”.*

22           (3) *EFFECTIVE DATE.*—The amendments made  
23           *by this subsection shall apply to taxable years ending*  
24           *after the date of the enactment of this Act with respect*



1       to increases in the Consumer Price Index after Sep-  
2       tember 30, 1993.

3       (d) *EFFECTIVE DATE*.—The amendments made by  
4       subsections (a) and (b) shall apply to distributions after  
5       December 31, 2000.

6       **TITLE V—STRENGTHENING PEN-**  
7       **SION SECURITY AND EN-**  
8       **FORCEMENT**

9       **Subtitle A—General Provisions**

10      **SEC. 501. REPEAL OF 155 PERCENT OF CURRENT LIABILITY**  
11                                   **FUNDING LIMIT.**

12      (a) *AMENDMENTS TO INTERNAL REVENUE CODE*.—  
13      Section 412(c)(7) (relating to full-funding limitation) is  
14      amended—

15           (1) by striking “the applicable percentage” in  
16      subparagraph (A)(i)(I) and inserting “in the case of  
17      plan years beginning before January 1, 2004, the ap-  
18      plicable percentage”; and

19           (2) by amending subparagraph (F) to read as  
20      follows:

21                   “(F) *APPLICABLE PERCENTAGE*.—For pur-  
22      poses of subparagraph (A)(i)(I), the applicable  
23      percentage shall be determined in accordance  
24      with the following table:

<b>“In the case of any plan year beginning in—</b>	<b>The applicable percentage is—</b>
2001 .....	160

2002 .....	165
2003 .....	170.”.

1       (b) *AMENDMENTS TO ERISA.*—Section 302(c)(7) of  
2 the *Employee Retirement Income Security Act of 1974* (29  
3 *U.S.C. 1082(c)(7)*) is amended—

4           (1) by striking “the applicable percentage” in  
5 subparagraph (A)(i)(I) and inserting “in the case of  
6 plan years beginning before January 1, 2004, the ap-  
7 plicable percentage”, and

8           (2) by amending subparagraph (F) to read as  
9 follows:

10               “(F) *APPLICABLE PERCENTAGE.*—For pur-  
11 poses of subparagraph (A)(i)(I), the applicable  
12 percentage shall be determined in accordance  
13 with the following table:

<b>“In the case of any plan year beginning in—</b>	<b>The applicable percentage is—</b>
2001 .....	160
2002 .....	165
2003 .....	170.”.

14       (c) *EFFECTIVE DATE.*—The amendments made by this  
15 section shall apply to plan years beginning after December  
16 31, 2000.

17 **SEC. 502. MAXIMUM CONTRIBUTION DEDUCTION RULES**  
18 **MODIFIED AND APPLIED TO ALL DEFINED**  
19 **BENEFIT PLANS.**

20       (a) *IN GENERAL.*—Subparagraph (D) of section  
21 404(a)(1) (relating to special rule in case of certain plans)  
22 is amended to read as follows:

1                   “(D) *SPECIAL RULE IN CASE OF CERTAIN*  
2                   *PLANS.*—

3                   “(i) *IN GENERAL.*—*In the case of any*  
4                   *defined benefit plan, except as provided in*  
5                   *regulations, the maximum amount deduct-*  
6                   *ible under the limitations of this paragraph*  
7                   *shall not be less than the unfunded termi-*  
8                   *nation liability (determined as if the pro-*  
9                   *posed termination date referred to in section*  
10                  *4041(b)(2)(A)(i)(II) of the Employee Retire-*  
11                  *ment Income Security Act of 1974 were the*  
12                  *last day of the plan year).*

13                  “(ii) *PLANS WITH LESS THAN 100 PAR-*  
14                  *TICIPANTS.*—*For purposes of this subpara-*  
15                  *graph, in the case of a plan which has less*  
16                  *than 100 participants for the plan year,*  
17                  *termination liability shall not include the*  
18                  *liability attributable to benefit increases for*  
19                  *highly compensated employees (as defined*  
20                  *in section 414(q)) resulting from a plan*  
21                  *amendment which is made or becomes effec-*  
22                  *tive, whichever is later, within the last 2*  
23                  *years before the termination date.*

24                  “(iii) *RULE FOR DETERMINING NUM-*  
25                  *BER OF PARTICIPANTS.*—*For purposes of de-*

1           *termining whether a plan has more than*  
2           *100 participants, all defined benefit plans*  
3           *maintained by the same employer (or any*  
4           *member of such employer's controlled group*  
5           *(within the meaning of section*  
6           *412(l)(8)(C))) shall be treated as one plan,*  
7           *but only employees of such member or em-*  
8           *ployer shall be taken into account.*

9                   “(iv) *PLANS ESTABLISHED AND MAIN-*  
10           *TAIN BY PROFESSIONAL SERVICE EMPLOY-*  
11           *ERS.—Clause (i) shall not apply to a plan*  
12           *described in section 4021(b)(13) of the Em-*  
13           *ployee Retirement Income Security Act of*  
14           *1974.”.*

15           (b) *CONFORMING AMENDMENT.—Paragraph (6) of sec-*  
16           *tion 4972(c) is amended to read as follows:*

17                   “(6) *EXCEPTIONS.—In determining the amount*  
18           *of nondeductible contributions for any taxable year,*  
19           *there shall not be taken into account so much of the*  
20           *contributions to one or more defined contribution*  
21           *plans which are not deductible when contributed sole-*  
22           *ly because of section 404(a)(7) as does not exceed the*  
23           *greater of—*

24                   “(A) *the amount of contributions not in ex-*  
25           *cess of 6 percent of compensation (within the*

1           *meaning of section 404(a)) paid or accrued (dur-*  
2           *ing the taxable year for which the contributions*  
3           *were made) to beneficiaries under the plans, or*

4           *“(B) the sum of—*

5                     *“(i) the amount of contributions de-*  
6                     *scribed in section 401(m)(4)(A), plus*

7                     *“(ii) the amount of contributions de-*  
8                     *scribed in section 402(g)(3)(A).*

9           *For purposes of this paragraph, the deductible limits*  
10          *under section 404(a)(7) shall first be applied to*  
11          *amounts contributed to a defined benefit plan and*  
12          *then to amounts described in subparagraph (B).”.*

13          *(c) EFFECTIVE DATE.—The amendments made by this*  
14          *section shall apply to plan years beginning after December*  
15          *31, 2000.*

16          **SEC. 503. EXCISE TAX RELIEF FOR SOUND PENSION FUND-**  
17                     **ING.**

18          *(a) IN GENERAL.—Subsection (c) of section 4972 (re-*  
19          *lating to nondeductible contributions) is amended by add-*  
20          *ing at the end the following new paragraph:*

21                     *“(7) DEFINED BENEFIT PLAN EXCEPTION.—In*  
22                     *determining the amount of nondeductible contribu-*  
23                     *tions for any taxable year, an employer may elect for*  
24                     *such year not to take into account any contributions*  
25                     *to a defined benefit plan except to the extent that such*

1        *contributions exceed the full-funding limitation (as*  
2        *defined in section 412(c)(7), determined without re-*  
3        *gard to subparagraph (A)(i)(I) thereof). For purposes*  
4        *of this paragraph, the deductible limits under section*  
5        *404(a)(7) shall first be applied to amounts contrib-*  
6        *uted to defined contribution plans and then to*  
7        *amounts described in this paragraph. If an employer*  
8        *makes an election under this paragraph for a taxable*  
9        *year, paragraph (6) shall not apply to such employer*  
10       *for such taxable year.”.*

11       *(b) EFFECTIVE DATE.—The amendment made by this*  
12       *section shall apply to years beginning after December 31,*  
13       *2000.*

14       **SEC. 504. TREATMENT OF MULTIEMPLOYER PLANS UNDER**  
15       **SECTION 415.**

16       *(a) COMPENSATION LIMIT.—*

17                *(1) IN GENERAL.—Paragraph (11) of section*  
18        *415(b) (relating to limitation for defined benefit*  
19        *plans) is amended to read as follows:*

20                *“(11) SPECIAL LIMITATION RULE FOR GOVERN-*  
21        *MENTAL AND MULTIEMPLOYER PLANS.—In the case of*  
22        *a governmental plan (as defined in section 414(d)) or*  
23        *a multiemployer plan (as defined in section 414(f)),*  
24        *subparagraph (B) of paragraph (1) shall not apply.”.*

1           (2)       *CONFORMING        AMENDMENT.—Section*  
2       *415(b)(7) (relating to benefits under certain collec-*  
3       *tively bargained plans) is amended by inserting*  
4       *“(other than a multiemployer plan)” after “defined*  
5       *benefit plan” in the matter preceding subparagraph*  
6       *(A).*

7       *(b) COMBINING AND AGGREGATION OF PLANS.—*

8           (1) *COMBINING OF PLANS.—Subsection (f) of sec-*  
9       *tion 415 (relating to combining of plans) is amended*  
10       *by adding at the end the following:*

11           *“(3) EXCEPTION FOR MULTIEMPLOYER PLANS.—*  
12       *Notwithstanding paragraph (1) and subsection (g), a*  
13       *multiemployer plan (as defined in section 414(f))*  
14       *shall not be combined or aggregated with any other*  
15       *plan maintained by an employer for purposes of ap-*  
16       *plying subsection (b)(1)(B) to such plan or any other*  
17       *such plan.”.*

18           (2) *CONFORMING AMENDMENT FOR AGGREGATION*  
19       *OF PLANS.—Subsection (g) of section 415 (relating to*  
20       *aggregation of plans) is amended by striking “The*  
21       *Secretary” and inserting “Except as provided in sub-*  
22       *section (f)(3), the Secretary”.*

23           (c) *EFFECTIVE DATE.—The amendments made by this*  
24       *section shall apply to years beginning after December 31,*  
25       *2000.*

1 **SEC. 505. PROTECTION OF INVESTMENT OF EMPLOYEE**  
2 **CONTRIBUTIONS TO 401(K) PLANS.**

3 (a) *IN GENERAL.*—Section 1524(b) of the Taxpayer  
4 Relief Act of 1997 is amended to read as follows:

5 “(b) *EFFECTIVE DATE.*—

6 “(1) *IN GENERAL.*—Except as provided in para-  
7 graph (2), the amendments made by this section shall  
8 apply to elective deferrals for plan years beginning  
9 after December 31, 1998.

10 “(2) *NONAPPLICATION TO PREVIOUSLY ACQUIRED*  
11 *PROPERTY.*—The amendments made by this section  
12 shall not apply to any elective deferral which is in-  
13 vested in assets consisting of qualifying employer se-  
14 curities, qualifying employer real property, or both, if  
15 such assets were acquired before January 1, 1999.”.

16 (b) *EFFECTIVE DATE.*—The amendment made by this  
17 section shall apply as if included in the provision of the  
18 Taxpayer Relief Act of 1997 to which it relates.

19 **SEC. 506. PERIODIC PENSION BENEFITS STATEMENTS.**

20 (a) *IN GENERAL.*—Section 105(a) of the Employee Re-  
21 tirement Income Security Act of 1974 (29 U.S.C. 1025 (a))  
22 is amended to read as follows:

23 “(a)(1) Except as provided in paragraph (2)—

24 “(A) the administrator of an individual account  
25 plan shall furnish a pension benefit statement—



1                   “(i) to a plan participant at least once an-  
2                   nually, and

3                   “(ii) to a plan beneficiary upon written re-  
4                   quest, and

5                   “(B) the administrator of a defined benefit plan  
6                   shall furnish a pension benefit statement—

7                   “(i) at least once every 3 years to each par-  
8                   ticipant with a nonforfeitable accrued benefit  
9                   who is employed by the employer maintaining  
10                  the plan at the time the statement is furnished  
11                  to participants, and

12                  “(ii) to a participant or beneficiary of the  
13                  plan upon written request.

14                  “(2) Notwithstanding paragraph (1), the adminis-  
15                  trator of a plan to which more than 1 unaffiliated employer  
16                  is required to contribute shall only be required to furnish  
17                  a pension benefit statement under paragraph (1) upon the  
18                  written request of a participant or beneficiary of the plan.

19                  “(3) A pension benefit statement under paragraph  
20                  (1)—

21                  “(A) shall indicate, on the basis of the latest  
22                  available information—

23                  “(i) the total benefits accrued, and

1           “(ii) the nonforfeitable pension benefits, if  
2           any, which have accrued, or the earliest date on  
3           which benefits will become nonforfeitable,

4           “(B) shall be written in a manner calculated to  
5           be understood by the average plan participant, and

6           “(C) may be provided in written, electronic, tele-  
7           phonic, or other appropriate form.

8           “(4) In the case of a defined benefit plan, the require-  
9           ments of paragraph (1)(B)(i) shall be treated as met with  
10          respect to a participant if the administrator provides the  
11          participant at least once each year with notice of the avail-  
12          ability of the pension benefit statement and the ways in  
13          which the participant may obtain such statement. Such no-  
14          tice shall be provided in written, electronic, telephonic, or  
15          other appropriate form, and may be included with other  
16          communications to the participant if done in a manner  
17          reasonably designed to attract the attention of the partici-  
18          pant.”.

19          (b) CONFORMING AMENDMENTS.—

20               (1) Section 105 of the Employee Retirement In-  
21          come Security Act of 1974 (29 U.S.C. 1025) is  
22          amended by striking subsection (d).

23               (2) Section 105(b) of such Act (29 U.S.C.  
24          1025(b)) is amended to read as follows:

1       “(b) *In no case shall a participant or beneficiary of*  
2 *a plan be entitled to more than one statement described in*  
3 *subsection (a)(1)(A) or (a)(1)(B)(ii), whichever is applica-*  
4 *ble, in any 12-month period.*”.

5       (c) *EFFECTIVE DATE.*—*The amendments made by this*  
6 *section shall apply to plan years beginning after December*  
7 *31, 2000.*

8       **SEC. 507. PROHIBITED ALLOCATIONS OF STOCK IN S COR-**  
9                               **PORATION ESOP.**

10       (a) *IN GENERAL.*—*Section 409 (relating to qualifica-*  
11 *tions for tax credit employee stock ownership plans) is*  
12 *amended by redesignating subsection (p) as subsection (q)*  
13 *and by inserting after subsection (o) the following new sub-*  
14 *section:*

15       “(p) *PROHIBITED ALLOCATIONS OF SECURITIES IN AN*  
16 *S CORPORATION.*—

17               “(1) *IN GENERAL.*—*An employee stock ownership*  
18 *plan holding employer securities consisting of stock in*  
19 *an S corporation shall provide that no portion of the*  
20 *assets of the plan attributable to (or allocable in lieu*  
21 *of) such employer securities may, during a nonalloca-*  
22 *tion year, accrue (or be allocated directly or indi-*  
23 *rectly under any plan of the employer meeting the re-*  
24 *quirements of section 401(a)) for the benefit of any*  
25 *disqualified person.*

1 “(2) *FAILURE TO MEET REQUIREMENTS.*—

2 “(A) *IN GENERAL.*—If a plan fails to meet  
3 the requirements of paragraph (1), the plan shall  
4 be treated as having distributed to any disquali-  
5 fied person the amount allocated to the account  
6 of such person in violation of paragraph (1) at  
7 the time of such allocation.

8 “(B) *CROSS REFERENCE.*—

**“For excise tax relating to violations of paragraph  
(1) and ownership of synthetic equity, see section  
4979A.**

9 “(3) *NONALLOCATION YEAR.*—For purposes of  
10 this subsection—

11 “(A) *IN GENERAL.*—The term ‘nonalloca-  
12 tion year’ means any plan year of an employee  
13 stock ownership plan if, at any time during such  
14 plan year—

15 “(i) such plan holds employer securi-  
16 ties consisting of stock in an S corporation,  
17 and

18 “(ii) disqualified persons own at least  
19 50 percent of the number of shares of stock  
20 in the S corporation.

21 “(B) *ATTRIBUTION RULES.*—For purposes  
22 of subparagraph (A)—

“(i) *IN GENERAL.*—The rules of section 318(a) shall apply for purposes of determining ownership, except that—

*“(I) in applying paragraph (1) thereof, the members of an individual’s family shall include members of the family described in paragraph (4)(D), and*

*“(II) paragraph (4) thereof shall not apply.*

“(ii) *DEEMED-OWNED SHARES.*—Notwithstanding the employee trust exception in section 318(a)(2)(B)(i), individual shall be treated as owning deemed-owned shares of the individual.

*Solely for purposes of applying paragraph (5), this subparagraph shall be applied after the attribution rules of paragraph (5) have been applied.*

“(4) *DISQUALIFIED PERSON.*—For purposes of this subsection—

“(A) IN GENERAL.—The term ‘disqualified person’ means any person if—

“(i) the aggregate number of deemed-owned shares of such person and the mem-

1            *bers of such person's family is at least 20*  
2            *percent of the number of deemed-owned*  
3            *shares of stock in the S corporation, or*

4            *“(ii) in the case of a person not de-*  
5            *scribed in clause (i), the number of deemed-*  
6            *owned shares of such person is at least 10*  
7            *percent of the number of deemed-owned*  
8            *shares of stock in such corporation.*

9            *“(B) TREATMENT OF FAMILY MEMBERS.—*  
10          *In the case of a disqualified person described in*  
11          *subparagraph (A)(i), any member of such per-*  
12          *son's family with deemed-owned shares shall be*  
13          *treated as a disqualified person if not otherwise*  
14          *treated as a disqualified person under subpara-*  
15          *graph (A).*

16          *“(C) DEEMED-OWNED SHARES.—*  
17          *“(i) IN GENERAL.—The term ‘deemed-*  
18          *owned shares’ means, with respect to any*  
19          *person—*

20                  *“(I) the stock in the S corporation*  
21                  *constituting employer securities of an*  
22                  *employee stock ownership plan which*  
23                  *is allocated to such person under the*  
24                  *plan, and*

1                   “(II) such person’s share of the  
2                   stock in such corporation which is held  
3                   by such plan but which is not allocated  
4                   under the plan to participants.

5                   “(ii)       PERSON’S       SHARE       OF  
6                   UNALLOCATED STOCK.—For purposes of  
7                   clause (i)(II), a person’s share of  
8                   unallocated S corporation stock held by  
9                   such plan is the amount of the unallocated  
10                  stock which would be allocated to such per-  
11                  son if the unallocated stock were allocated to  
12                  all participants in the same proportions as  
13                  the most recent stock allocation under the  
14                  plan.

15                  “(D) MEMBER OF FAMILY.—For purposes of  
16                  this paragraph, the term ‘member of the family’  
17                  means, with respect to any individual—

18                       “(i) the spouse of the individual,  
19                       “(ii) an ancestor or lineal descendant  
20                       of the individual or the individual’s spouse,  
21                       “(iii) a brother or sister of the indi-  
22                       vidual or the individual’s spouse and any  
23                       lineal descendant of the brother or sister,  
24                       and

1                   “(iv) the spouse of any individual de-  
2                   scribed in clause (ii) or (iii).

3                   A spouse of an individual who is legally sepa-  
4                   rated from such individual under a decree of di-  
5                   vorce or separate maintenance shall not be treat-  
6                   ed as such individual’s spouse for purposes of  
7                   this subparagraph.

8                   “(5) *TREATMENT OF SYNTHETIC EQUITY.*—For  
9                   purposes of paragraphs (3) and (4), in the case of a  
10                  person who owns synthetic equity in the S corpora-  
11                  tion, except to the extent provided in regulations, the  
12                  shares of stock in such corporation on which such  
13                  synthetic equity is based shall be treated as out-  
14                  standing stock in such corporation and deemed-owned  
15                  shares of such person if such treatment of synthetic  
16                  equity of 1 or more such persons results in—

17                  “(A) the treatment of any person as a dis-  
18                  qualified person, or

19                  “(B) the treatment of any year as a non-  
20                  allocation year.

21                  For purposes of this paragraph, synthetic equity shall  
22                  be treated as owned by a person in the same manner  
23                  as stock is treated as owned by a person under the  
24                  rules of paragraphs (2) and (3) of section 318(a). If,  
25                  without regard to this paragraph, a person is treated



1       *as a disqualified person or a year is treated as a non-*  
2       *allocation year, this paragraph shall not be construed*  
3       *to result in the person or year not being so treated.*

4           “(6) *DEFINITIONS.—For purposes of this*  
5       *subsection—*

6           “(A) *EMPLOYEE STOCK OWNERSHIP*  
7       *PLAN.—The term ‘employee stock ownership*  
8       *plan’ has the meaning given such term by sec-*  
9       *tion 4975(e)(7).*

10          “(B) *EMPLOYER SECURITIES.—The term*  
11       *‘employer security’ has the meaning given such*  
12       *term by section 409(l).*

13          “(C) *SYNTHETIC EQUITY.—The term ‘syn-*  
14       *thetic equity’ means any stock option, warrant,*  
15       *restricted stock, deferred issuance stock right, or*  
16       *similar interest or right that gives the holder the*  
17       *right to acquire or receive stock of the S corpora-*  
18       *tion in the future. Except to the extent provided*  
19       *in regulations, synthetic equity also includes a*  
20       *stock appreciation right, phantom stock unit, or*  
21       *similar right to a future cash payment based on*  
22       *the value of such stock or appreciation in such*  
23       *value.*

1           “(7) *REGULATIONS.*—*The Secretary shall pre-*  
2           *scribe such regulations as may be necessary to carry*  
3           *out the purposes of this subsection.*”.

4           (b) *COORDINATION WITH SECTION 4975(e)(7).*—*The*  
5           *last sentence of section 4975(e)(7) (defining employee stock*  
6           *ownership plan) is amended by inserting “, section 409(p),”*  
7           *after “409(n).”*

8           (c) *EXCISE TAX.*—

9           (1) *APPLICATION OF TAX.*—*Subsection (a) of sec-*  
10           *tion 4979A (relating to tax on certain prohibited allo-*  
11           *cations of employer securities) is amended—*

12                   (A) *by striking “or” at the end of para-*  
13                   *graph (1), and*

14                   (B) *by striking all that follows paragraph*  
15                   *(2) and inserting the following:*

16                   “(3) *there is any allocation of employer securi-*  
17                   *ties which violates the provisions of section 409(p), or*  
18                   *a nonallocation year described in subsection (e)(2)(C)*  
19                   *with respect to an employee stock ownership plan, or*

20                   “(4) *any synthetic equity is owned by a dis-*  
21                   *qualified person in any nonallocation year,*

22                   *there is hereby imposed a tax on such allocation or owner-*  
23                   *ship equal to 50 percent of the amount involved.*”.

24           (2) *LIABILITY.*—*Section 4979A(c) (defining li-*  
25           *ability for tax) is amended to read as follows:*

1       “(c) *LIABILITY FOR TAX.*—The tax imposed by this  
2 section shall be paid—

3               “(1) in the case of an allocation referred to in  
4 paragraph (1) or (2) of subsection (a), by—

5                       “(A) the employer sponsoring such plan, or

6                       “(B) the eligible worker-owned cooperative,  
7 which made the written statement described in section  
8 664(g)(1)(E) or in section 1042(b)(3)(B) (as the case  
9 may be), and

10               “(2) in the case of an allocation or ownership re-  
11 ferred to in paragraph (3) or (4) of subsection (a), by  
12 the S corporation the stock in which was so allocated  
13 or owned.”.

14               (3) *DEFINITIONS.*—Section 4979A(e) (relating to  
15 definitions) is amended to read as follows:

16               “(e) *DEFINITIONS AND SPECIAL RULES.*—For pur-  
17 poses of this section—

18                       “(1) *DEFINITIONS.*—Except as provided in para-  
19 graph (2), terms used in this section have the same  
20 respective meanings as when used in sections 409 and  
21 4978.

22                       “(2) *SPECIAL RULES RELATING TO TAX IMPOSED*  
23 *BY REASON OF PARAGRAPH (3) OR (4) OF SUBSECTION*  
24 *(a).*—

1           “(A) *PROHIBITED ALLOCATIONS.*—*The*  
2           *amount involved with respect to any tax imposed*  
3           *by reason of subsection (a)(3) is the amount allo-*  
4           *cated to the account of any person in violation*  
5           *of section 409(p)(1).*

6           “(B) *SYNTHETIC EQUITY.*—*The amount in-*  
7           *volved with respect to any tax imposed by reason*  
8           *of subsection (a)(4) is the value of the shares on*  
9           *which the synthetic equity is based.*

10          “(C) *SPECIAL RULE DURING FIRST NON-*  
11          *ALLOCATION YEAR.*—*For purposes of subpara-*  
12          *graph (A), the amount involved for the first non-*  
13          *allocation year of any employee stock ownership*  
14          *plan shall be determined by taking into account*  
15          *the total value of all the deemed-owned shares of*  
16          *all disqualified persons with respect to such*  
17          *plan.*

18          “(D) *STATUTE OF LIMITATIONS.*—*The stat-*  
19          *utory period for the assessment of any tax im-*  
20          *posed by this section by reason of paragraph (3)*  
21          *or (4) of subsection (a) shall not expire before the*  
22          *date which is 3 years from the later of—*

23                 “(i) *the allocation or ownership re-*  
24                 *ferred to in such paragraph giving rise to*  
25                 *such tax, or*

1                   “(ii) the date on which the Secretary is  
2                   notified of such allocation or ownership.”.

3           (d) *EFFECTIVE DATES.*—

4                   (1) *IN GENERAL.*—The amendments made by  
5                   this section shall apply to plan years beginning after  
6                   December 31, 2001.

7                   (2) *EXCEPTION FOR CERTAIN PLANS.*—In the  
8                   case of any—

9                           (A) employee stock ownership plan estab-  
10                          lished after July 11, 2000, or

11                           (B) employee stock ownership plan estab-  
12                          lished on or before such date if employer securi-  
13                          ties held by the plan consist of stock in a cor-  
14                          poration with respect to which an election under  
15                          section 1362(a) of the Internal Revenue Code of  
16                          1986 is not in effect on such date,  
17                   the amendments made by this section shall apply to  
18                   plan years ending after July 11, 2000.

1 ***Subtitle B—Treatment of Plan***  
2 ***Amendments Reducing Future***  
3 ***Benefit Accruals***

4 ***SEC. 521. NOTICE REQUIRED FOR PENSION PLAN AMEND-***  
5 ***MENTS HAVING THE EFFECT OF SIGNIFI-***  
6 ***CANTLY REDUCING FUTURE BENEFIT ACCRU-***  
7 ***ALS.***

8 *(a) EXCISE TAX.—*

9 *(1) IN GENERAL.—Chapter 43 of subtitle D (re-*  
10 *lating to qualified pension, etc., plans) is amended by*  
11 *adding at the end the following new section:*

12 ***“SEC. 4980F. FAILURE TO PROVIDE NOTICE OF PENSION***  
13 ***PLAN AMENDMENTS REDUCING BENEFIT AC-***  
14 ***CRUALS.***

15 *“(a) IMPOSITION OF TAX.—There is hereby imposed a*  
16 *tax on the failure of an applicable pension plan to meet*  
17 *the requirements of subsection (e) with respect to any appli-*  
18 *cable individual.*

19 *“(b) AMOUNT OF TAX.—*

20 *“(1) IN GENERAL.—The amount of the tax im-*  
21 *posed by subsection (a) on any failure with respect to*  
22 *any applicable individual shall be \$100 for each day*  
23 *in the noncompliance period with respect to such fail-*  
24 *ure.*

1           “(2) *NONCOMPLIANCE PERIOD.*—For purposes of  
2           *this section, the term ‘noncompliance period’ means,*  
3           *with respect to any failure, the period beginning on*  
4           *the date the failure first occurs and ending on the*  
5           *date the notice to which the failure relates is provided*  
6           *or the failure is otherwise corrected.*

7           “(c) *LIMITATIONS ON AMOUNT OF TAX.*—

8           “(1) *TAX NOT TO APPLY WHERE FAILURE NOT*  
9           *DISCOVERED AND REASONABLE DILIGENCE EXER-*  
10           *CISED.*—No tax shall be imposed by subsection (a) on  
11           *any failure during any period for which it is estab-*  
12           *lished to the satisfaction of the Secretary that any*  
13           *person subject to liability for the tax under subsection*  
14           *(d) did not know that the failure existed and exercised*  
15           *reasonable diligence to meet the requirements of sub-*  
16           *section (e).*

17           “(2) *TAX NOT TO APPLY TO FAILURES COR-*  
18           *RECTED WITHIN 30 DAYS.*—No tax shall be imposed  
19           *by subsection (a) on any failure if—*

20                   “(A) *any person subject to liability for the*  
21                   *tax under subsection (d) exercised reasonable*  
22                   *diligence to meet the requirements of subsection*  
23                   *(e), and*

24                   “(B) *such person provides the notice de-*  
25                   *scribed in subsection (e) during the 30-day pe-*

1            *riod beginning on the first date such person*  
2            *knew, or exercising reasonable diligence would*  
3            *have known, that such failure existed.*

4            *“(3) OVERALL LIMITATION FOR UNINTENTIONAL*  
5            *FAILURES.—*

6            *“(A) IN GENERAL.—If the person subject to*  
7            *liability for tax under subsection (d) exercised*  
8            *reasonable diligence to meet the requirements of*  
9            *subsection (e), the tax imposed by subsection (a)*  
10           *for failures during the taxable year of the em-*  
11           *ployer (or, in the case of a multiemployer plan,*  
12           *the taxable year of the trust forming part of the*  
13           *plan) shall not exceed \$500,000. For purposes of*  
14           *the preceding sentence, all multiemployer plans*  
15           *of which the same trust forms a part shall be*  
16           *treated as 1 plan.*

17           *“(B) TAXABLE YEARS IN THE CASE OF CER-*  
18           *TAIN CONTROLLED GROUPS.—For purposes of*  
19           *this paragraph, if all persons who are treated as*  
20           *a single employer for purposes of this section do*  
21           *not have the same taxable year, the taxable years*  
22           *taken into account shall be determined under*  
23           *principles similar to the principles of section*  
24           *1561.*



1           “(4) *WAIVER BY SECRETARY.*—*In the case of a*  
2           *failure which is due to reasonable cause and not to*  
3           *willful neglect, the Secretary may waive part or all*  
4           *of the tax imposed by subsection (a) to the extent that*  
5           *the payment of such tax would be excessive or other-*  
6           *wise inequitable relative to the failure involved.*

7           “(d) *LIABILITY FOR TAX.*—*The following shall be lia-*  
8           *ble for the tax imposed by subsection (a):*

9           “(1) *In the case of a plan other than a multiem-*  
10          *ployer plan, the employer.*

11          “(2) *In the case of a multiemployer plan, the*  
12          *plan.*

13          “(e) *NOTICE REQUIREMENTS FOR PLAN AMENDMENTS*  
14          *SIGNIFICANTLY REDUCING BENEFIT ACCRUALS.*—

15          “(1) *IN GENERAL.*—*If the sponsor of an applica-*  
16          *ble pension plan adopts an amendment which has the*  
17          *effect of significantly reducing the rate of future ben-*  
18          *efit accrual of 1 or more participants, the plan ad-*  
19          *ministrator shall, not later than the 45th day before*  
20          *the effective date of the amendment, provide written*  
21          *notice to each applicable individual (and to each em-*  
22          *ployee organization representing applicable individ-*  
23          *uals) which—*

1           “(A) sets forth a summary of the plan  
2           amendment and the effective date of the amend-  
3           ment,

4           “(B) includes a statement that the plan  
5           amendment is expected to significantly reduce  
6           the rate of future benefit accrual,

7           “(C) includes a description of the classes of  
8           employees reasonably expected to be affected by  
9           the reduction in the rate of future benefit ac-  
10          crual,

11          “(D) sets forth examples illustrating how  
12          the plan will change benefits for such classes of  
13          employees,

14          “(E) if paragraph (2) applies to the plan  
15          amendment, includes a notice that the plan ad-  
16          ministrators will provide a benefit estimation tool  
17          kit described in paragraph (2)(B) to each appli-  
18          cable individual no later than the date required  
19          under paragraph (2)(A), and

20          “(F) includes a notice of each applicable in-  
21          dividual’s right under Federal law to receive,  
22          and of the procedures for requesting, an annual  
23          benefit statement.

24          “(2) REQUIREMENT TO PROVIDE BENEFIT ESTI-  
25          MATION TOOL KIT.—

1           “(A) *IN GENERAL.*—If a plan amendment  
2           results in the conversion of an applicable pension  
3           plan to a cash balance plan (within the meaning  
4           of section 411(d)(6)(D)(iv)), the plan adminis-  
5           trator shall, not later than the 15th day before  
6           the effective date of the amendment, provide a  
7           benefit estimation tool kit described in subpara-  
8           graph (B) to each applicable individual. If such  
9           plan amendment occurs within 12 months of an  
10          event described in section 410(b)(6)(C), the plan  
11          administrator shall in no event be required to  
12          provide the benefit estimation tool kit to applica-  
13          ble individuals affected by the event before the  
14          date which is 24 months after such event.

15          “(B) *BENEFIT ESTIMATION TOOL KIT.*—The  
16          benefit estimation tool kit described in this sub-  
17          paragraph shall include the following informa-  
18          tion:

19               “(i) *Sufficient information to enable*  
20               *an applicable individual to estimate the in-*  
21               *dividual’s projected benefits under the terms*  
22               *of the plan in effect both before and after the*  
23               *adoption of the amendment.*

24               “(ii) *The formulas and actuarial as-*  
25               *sumptions necessary to estimate under both*

1           *such plan terms a single life annuity at ap-*  
2           *propriate ages, and, when available, a lump*  
3           *sum distribution.*

4           “(iii) *The interest rate used to compute*  
5           *a lump sum distribution and information*  
6           *as to whether the value of any early retire-*  
7           *ment benefit or retirement-type subsidy*  
8           *(within the meaning of section*  
9           *411(d)(6)(B)(i)) is included in the lump*  
10          *sum distribution.*

11          “(3) *NOTICE TO DESIGNEE.—Any notice under*  
12          *paragraph (1) or (2) may be provided to a person*  
13          *designated, in writing, by the person to which it*  
14          *would otherwise be provided.*

15          “(f) *DEFINITIONS AND SPECIAL RULES.—For pur-*  
16          *poses of this section—*

17               “(1) *APPLICABLE INDIVIDUAL.—*

18                   “(A) *IN GENERAL.—The term ‘applicable*  
19                   *individual’ means, with respect to any plan*  
20                   *amendment—*

21                           “(i) *each participant in the plan, and*

22                           “(ii) *any beneficiary who is an alter-*  
23                           *nate payee (within the meaning of section*  
24                           *414(p)(8)) under an applicable qualified*

1           *domestic relations order (within the mean-*  
2           *ing of section 414(p)(1)(A)),*  
3           *whose rate of future benefit accrual under the*  
4           *plan may reasonably be expected to be signifi-*  
5           *cantly reduced by such plan amendment.*

6           “(B) *EXCEPTION FOR PARTICIPANTS WITH*  
7           *LESS THAN 1 YEAR OF PARTICIPATION.—Such*  
8           *term shall not include a participant who has less*  
9           *than 1 year of participation (within the mean-*  
10           *ing of section 411(b)(4)) under the plan as of the*  
11           *effective date of the plan amendment.*

12           “(2) *APPLICABLE PENSION PLAN.—The term ‘ap-*  
13           *plicable pension plan’ means—*

14           “(A) *a defined benefit plan, or*

15           “(B) *an individual account plan which is*  
16           *subject to the funding standards of section 412.*  
17           *Such term shall not include a governmental plan*  
18           *(within the meaning of section 414(d)), a church plan*  
19           *(within the meaning of section 414(e)) with respect to*  
20           *which an election under section 410(d) has not been*  
21           *made, or any other plan to which section 204(h) of*  
22           *the Employee Retirement Income Security Act of*  
23           *1974 does not apply.*

24           “(3) *EARLY RETIREMENT.—A plan amendment*  
25           *which eliminates or significantly reduces any early*

1       *retirement benefit or retirement-type subsidy (within*  
2       *the meaning of section 411(d)(6)(B)(i)) shall be treat-*  
3       *ed as having the effect of significantly reducing the*  
4       *rate of future benefit accrual.*

5       “(g) *NEW TECHNOLOGIES.*—*The Secretary may by*  
6       *regulations allow any notice under paragraph (1) or (2)*  
7       *of subsection (e) to be provided by using new technologies.”*

8               (2) *CONFORMING AMENDMENT.*—*The table of sec-*  
9       *tions for chapter 43 of subtitle D is amended by add-*  
10       *ing at the end the following new item:*

                  “Sec. 4980F. Failure to provide notice of pension plan amend-  
                  ments reducing benefit accruals.”

11       (b) *AMENDMENT TO ERISA.*—*Section 204(h) of the*  
12       *Employee Retirement Income Security Act of 1974 (29*  
13       *U.S.C. 1054(h)) is amended to read as follows:*

14       “(h)(1) *If an applicable pension plan is amended so*  
15       *as to provide a significant reduction in the rate of future*  
16       *benefit accrual of 1 or more participants, the plan adminis-*  
17       *trator shall, not later than the 45th day before the effective*  
18       *date of the amendment, provide written notice to each ap-*  
19       *plicable individual (and to each employee organization rep-*  
20       *resenting applicable individuals) which—*

21               “(A) *sets forth a summary of the plan amend-*  
22       *ment and the effective date of the amendment,*

1           “(B) includes a statement that the plan amend-  
2           ment is expected to significantly reduce the rate of fu-  
3           ture benefit accrual,

4           “(C) includes a description of the classes of em-  
5           ployees reasonably expected to be affected by the re-  
6           duction in the rate of future benefit accrual,

7           “(D) sets forth examples illustrating how the  
8           plan will change benefits for such classes of employees,

9           “(E) if paragraph (2) applies to the plan  
10          amendment, includes a notice that the plan adminis-  
11          trator will provide a benefit estimation tool kit de-  
12          scribed in paragraph (2)(B) to each applicable indi-  
13          vidual no later than the date required under para-  
14          graph (2)(A), and

15          “(F) includes a notice of each applicable individ-  
16          ual’s right under Federal law to receive, and of the  
17          procedures for requesting, an annual benefit state-  
18          ment.

19          “(2)(A) If a plan amendment results in the conversion  
20          of an applicable pension plan to a cash balance plan (with-  
21          in the meaning of section 204(g)(4)(D)), the plan adminis-  
22          trator shall, not later than the 15th day before the effective  
23          date of the amendment, provide a benefit estimation tool  
24          kit described in subparagraph (B) to each applicable indi-  
25          vidual. If such plan amendment occurs within 12 months

1 *of an event described in section 410(b)(6)(C) of the Internal*  
2 *Revenue Code of 1986, the plan administrator shall in no*  
3 *event be required to provide the benefit estimation tool kit*  
4 *to applicable individuals affected by the event before the*  
5 *date which is 24 months after such event.*

6       “(B) *The benefit estimation tool kit described in this*  
7 *subparagraph shall include the following information:*

8               “(i) *Sufficient information to enable an applica-*  
9 *ble individual to estimate the individual’s projected*  
10 *benefits under the terms of the plan in effect both be-*  
11 *fore and after the adoption of the amendment.*

12              “(ii) *The formulas and actuarial assumptions*  
13 *necessary to estimate under both such plan terms a*  
14 *single life annuity at appropriate ages, and, when*  
15 *available, a lump sum distribution.*

16              “(iii) *The interest rate used to compute a lump*  
17 *sum distribution and information as to whether the*  
18 *value of any early retirement benefit or retirement-*  
19 *type subsidy (within the meaning of subsection*  
20 *(g)(2)(A)) is included in the lump sum distribution.*

21       “(3) *Any notice under paragraph (1) or (2) may be*  
22 *provided to a person designated, in writing, by the person*  
23 *to which it would otherwise be provided.*

24       “(4)(A) *In the case of any egregious failure to meet*  
25 *any requirement of this subsection with respect to any plan*



1 *amendment, the provisions of the applicable pension plan*  
2 *shall be applied as if such plan amendment entitled all ap-*  
3 *plicable individuals to the greater of—*

4           “(i) *the benefits to which they would have been*  
5           *entitled without regard to such amendment, or*

6           “(ii) *the benefits under the plan with regard to*  
7           *such amendment.*

8           “(B) *For purposes of subparagraph (A), there is an*  
9 *egregious failure to meet the requirements of this subsection*  
10 *if such failure is within the control of the plan sponsor and*  
11 *is—*

12           “(i) *an intentional failure (including any failure*  
13 *to promptly provide the required notice or informa-*  
14 *tion after the plan administrator discovers an unin-*  
15 *tentional failure to meet the requirements of this sub-*  
16 *section),*

17           “(ii) *a failure to provide most of the individuals*  
18 *with most of the information they are entitled to re-*  
19 *ceive under this subsection, or*

20           “(iii) *a failure which is determined to be egre-*  
21 *gious under regulations prescribed by the Secretary of*  
22 *the Treasury.*

23           “(C) *For excise tax on failure to meet requirements,*  
24 *see section 4980F of the Internal Revenue Code of 1986.*

1       “(5)(A) *For purposes of this subsection, the term ‘ap-*  
2 *plicable individual’ means, with respect to any plan*  
3 *amendment—*

4               “(i) *each participant in the plan, and*

5               “(ii) *any beneficiary who is an alternate payee*  
6 *(within the meaning of section 206(d)(3)(K)) under*  
7 *an applicable qualified domestic relations order*  
8 *(within the meaning of section 206(d)(3)(B)),*  
9 *whose rate of future benefit accrual under the plan may*  
10 *reasonably be expected to be significantly reduced by such*  
11 *plan amendment.*

12       “(B) *Such term shall not include a participant who*  
13 *has less than 1 year of participation (within the meaning*  
14 *of subsection (b)(4)) under the plan as of the effective date*  
15 *of the plan amendment.*

16       “(6) *For purposes of this subsection, the term ‘applica-*  
17 *ble pension plan’ means—*

18               “(A) *a defined benefit plan, or*

19               “(B) *an individual account plan which is subject*  
20 *to the funding standards of section 302.*

21       “(7) *For purposes of this subsection, a plan amend-*  
22 *ment which eliminates or significantly reduces any early*  
23 *retirement benefit or retirement-type subsidy (within the*  
24 *meaning of section 204(g)(2)(A)) shall be treated as having*

1 *the effect of significantly reducing the rate of future benefit*  
2 *accrual.*

3 “(8) *The Secretary of the Treasury may by regulations*  
4 *allow any notice under this subsection to be provided by*  
5 *using new technologies.*”

6 **SEC. 522. PROTECTION OF PARTICIPANTS DURING CONVER-**  
7 **SIONS TO CASH BALANCE OR OTHER HYBRID**  
8 **DEFINED BENEFIT PLANS.**

9 (a) *AMENDMENTS TO INTERNAL REVENUE CODE.—*

10 (1) *IN GENERAL.—Section 411(d)(6) (relating to*  
11 *accrued benefit may not be decreased by amendment)*  
12 *is amended by adding at the end the following new*  
13 *subparagraph:*

14 “(D) *TREATMENT OF CONVERSIONS TO*  
15 *CASH BALANCE OR OTHER HYBRID PLANS.—*

16 “(i) *IN GENERAL.—For purposes of*  
17 *subparagraph (A), an applicable plan*  
18 *amendment shall be treated as reducing the*  
19 *accrued benefit of a participant if, under*  
20 *the terms of the plan as in effect after the*  
21 *amendment, the accrued benefit of the par-*  
22 *ticipant may at any time be less than the*  
23 *sum of—*

24 “(I) *the participant’s accrued ben-*  
25 *efit for years of service before the effec-*

1                    *tive date of the amendment, determined*  
2                    *under the terms of the plan as in effect*  
3                    *before the amendment and by not tak-*  
4                    *ing into account any early retirement*  
5                    *benefit or retirement-type subsidy*  
6                    *(within the meaning of subparagraph*  
7                    *(B)(i)), plus*

8                    *“(II) the participant’s accrued*  
9                    *benefit for years of service after the ef-*  
10                   *fective date of the amendment, deter-*  
11                   *mined under the terms of the plan as*  
12                   *in effect after the amendment.*

13                   *“(ii) INITIAL ACCOUNT BALANCE.—If*  
14                   *an applicable plan amendment provides*  
15                   *that the accrued benefit initially credited to*  
16                   *a participant’s accumulation account (or*  
17                   *its equivalent) on the effective date of the*  
18                   *amendment is not less than the amount de-*  
19                   *termined under section 417(e)(3)(C) as of*  
20                   *such date, the plan shall not be treated as*  
21                   *failing to meet the requirements of clause*  
22                   *(i)(I) at any time after such date merely be-*  
23                   *cause of fluctuations in interest rates.*

1                   “(iii) *APPLICABLE PLAN AMEND-*  
2                   *MENT.—For purposes of this*  
3                   *subparagraph—*

4                   “(I) *IN GENERAL.—The term ‘ap-*  
5                   *plicable plan amendment’ means an*  
6                   *amendment to a defined benefit plan*  
7                   *which has the effect of converting the*  
8                   *plan to a cash balance plan.*

9                   “(II) *EXCEPTION FOR CERTAIN*  
10                   *PLAN AMENDMENTS.—A plan amend-*  
11                   *ment shall not be treated as an appli-*  
12                   *cable plan amendment with respect to*  
13                   *any participant who is eligible to con-*  
14                   *tinue to accrue benefits in the same*  
15                   *manner as under the terms of the plan*  
16                   *in effect before the amendment.*

17                   “(III) *SPECIAL RULE FOR CO-*  
18                   *ORDINATED BENEFITS.—If the benefits*  
19                   *of 2 or more defined benefit plans es-*  
20                   *tablished or maintained by an em-*  
21                   *ployer are coordinated in such a man-*  
22                   *ner as to have the effect of the adoption*  
23                   *of an amendment described in sub-*  
24                   *clause (I), the sponsor of the defined*  
25                   *benefit plan or plans providing for*

1           *such coordination shall be treated as*  
2           *having adopted such a plan amend-*  
3           *ment as of the date such coordination*  
4           *begins.*

5                     “(IV) *MULTIPLE AMENDMENTS.—*  
6           *The Secretary shall issue regulations to*  
7           *prevent the avoidance of the purposes*  
8           *of this subparagraph through the use of*  
9           *2 or more plan amendments rather*  
10          *than a single amendment.*

11                    “(iv) *CASH BALANCE PLAN.—For pur-*  
12          *poses of this subparagraph—*

13                     “(I) *IN GENERAL.—The term*  
14           *‘cash balance plan’ means a defined*  
15           *benefit plan under which the accrued*  
16           *benefit is determined as an amount*  
17           *other than an annual benefit com-*  
18           *mencing at normal retirement age.*

19                     “(II) *REGULATIONS TO INCLUDE*  
20           *SIMILAR OR OTHER HYBRID PLANS.—*  
21           *The Secretary shall issue regulations*  
22           *which provide that a defined benefit*  
23           *plan (or any portion of such a plan)*  
24           *which has an effect similar to a plan*  
25           *described in subclause (I) shall be*

1                   *treated as a cash balance plan. Such*  
2                   *regulations may provide that if a plan*  
3                   *sponsor represents in communications*  
4                   *to participants and beneficiaries that a*  
5                   *plan amendment results in a plan*  
6                   *being described in the preceding sen-*  
7                   *tence, such plan shall be treated as a*  
8                   *cash balance plan.*

9                   “(v) *COORDINATION WITH ACCRUAL*  
10                  *AND NONDISCRIMINATION RULES.—If a plan*  
11                  *amendment is not treated as an applicable*  
12                  *plan amendment with respect to any partic-*  
13                  *ipant because such participant is eligible to*  
14                  *continue to accrue benefits in the same*  
15                  *manner as under the terms of the plan in*  
16                  *effect before the amendment, the Secretary*  
17                  *shall prescribe regulations under which—*

18                         “(I) *the plan shall be treated as*  
19                         *meeting the requirements of subpara-*  
20                         *graph (A), (B), or (C) of section*  
21                         *411(b)(1) if such requirements are met*  
22                         *separately with respect to each benefit*  
23                         *accrual formula under the terms of the*  
24                         *plan, and*

1                   “(II) the plan shall, subject to  
2                   such terms and conditions as may be  
3                   provided in such regulations, not be  
4                   treated as failing to meet the require-  
5                   ments of section 401(a)(4) merely be-  
6                   cause only participants as of the effec-  
7                   tive date of the amendment are so eli-  
8                   gible, except that this subclause shall  
9                   only apply if the plan met the require-  
10                  ments of section 401(a)(4) under the  
11                  terms of the plan as in effect before the  
12                  amendment.”

13                  (2) ASSUMPTIONS USED IN COMPUTING PRESENT  
14                  VALUE OF ACCRUED BENEFIT.—

15                         (A) BENEFITS ACCRUED BEFORE CASH BAL-  
16                         ANCE CONVERSION.—Section 417(e)(3) (relating  
17                         to determination of present value) is amended—

18                                 (i) by inserting “or (C)” after “sub-  
19                                 paragraph (B)” in subparagraph (A)(i),  
20                                 and

21                                 (ii) by adding at the end the following  
22                                 new subparagraph:

23   “(C) SPECIAL RULE FOR CONVERSIONS TO  
24   CASH BALANCE PLANS.—For purposes of deter-  
25   mining the amount initially credited to the par-



1        *participant's accumulation account (or its equiva-*  
2        *lent) under section 411(d)(6)(D)(ii) after adop-*  
3        *tion of an applicable plan amendment (as de-*  
4        *finied in section 411(d)(6)(D)(iii)), the present*  
5        *value of the accrued benefit of any participant*  
6        *described in section 411(d)(6)(D)(i)(I) for years*  
7        *of service before the effective date of the amend-*  
8        *ment shall not be less than the greater of—*

9                *“(i) the present value determined by*  
10              *using the applicable mortality table and the*  
11              *applicable interest rate under subparagraph*  
12              *(A) which are in effect under the plan on*  
13              *such effective date, or*

14              *“(ii) the amount of the lump sum dis-*  
15              *tribution payable as of such effective date,*  
16              *determined as if the individual were enti-*  
17              *tled to the distribution and under the terms*  
18              *of the plan as in effect immediately before*  
19              *such effective date, but not taking into ac-*  
20              *count any early retirement benefit or retire-*  
21              *ment-type subsidy (within the meaning of*  
22              *section 411(d)(6)(B)(i)).”*

23              *(B) PRESENT VALUE DETERMINATION FOR*  
24              *CASH BALANCE PLANS.—Section 417(e)(3), as*  
25              *amended by subparagraph (A), is amended—*

1                   (i) by striking “or (C)” in subpara-  
2                   graph (A)(i) and inserting “; (C), or (D)”,  
3                   and

4                   (ii) by adding at the end the following  
5                   new subparagraph:

6                   “(D) *PRESENT VALUE OF ACCRUED BEN-*  
7                   *EFIT UNDER CASH BALANCE PLAN.—Except as*  
8                   *provided in regulations, in the case of a cash*  
9                   *balance plan (as defined in section*  
10                  *411(d)(6)(D)(iv)), the present value of the ac-*  
11                  *crued benefit of any participant shall, for pur-*  
12                  *poses of paragraphs (1) and (2), be equal to the*  
13                  *balance in the participant’s accumulation ac-*  
14                  *count (or its equivalent) as of the time the*  
15                  *present value determination is being made. This*  
16                  *subparagraph shall not apply to any portion of*  
17                  *the accrued benefit described in section*  
18                  *411(d)(6)(D)(i)(I) except to the extent the plan*  
19                  *meets the requirements of section*  
20                  *411(d)(6)(D)(ii) with respect to such portion.”*

21                  (b) *AMENDMENTS TO ERISA.—*

22                  (1) *IN GENERAL.—Section 204(g) of the Em-*  
23                  *ployee Retirement Income Security Act of 1974 (29*  
24                  *U.S.C. 1054(g)) is amended by adding at the end the*  
25                  *following new paragraph:*

1       “(4)(A) *For purposes of paragraph (1), an applicable*  
2 *plan amendment shall be treated as reducing the accrued*  
3 *benefit of a participant if, under the terms of the plan as*  
4 *in effect after the amendment, the accrued benefit of the par-*  
5 *ticipant may at any time be less than the sum of—*

6               “(i) *the participant’s accrued benefit for years of*  
7 *service before the effective date of the amendment, de-*  
8 *termined under the terms of the plan as in effect be-*  
9 *fore the amendment and by not taking into account*  
10 *any early retirement benefit or retirement-type sub-*  
11 *sidy (within the meaning of paragraph (2)(A)), plus*

12              “(ii) *the participant’s accrued benefit for years*  
13 *of service after the effective date of the amendment,*  
14 *determined under the terms of the plan as in effect*  
15 *after the amendment.*

16       “(B) *If an applicable plan amendment provides that*  
17 *the accrued benefit initially credited to a participant’s ac-*  
18 *cumulation account (or its equivalent) on the effective date*  
19 *of the amendment is not less than the amount determined*  
20 *under section 205(g)(3)(C) as of such date, the plan shall*  
21 *not be treated as failing to meet the requirements of sub-*  
22 *paragraph (A)(i) at any time after such date merely be-*  
23 *cause of fluctuations in interest rates.*

24       “(C) *For purposes of this paragraph—*

1           “(i) The term ‘applicable plan amendment’  
2           means an amendment to a defined benefit plan which  
3           has the effect of converting the plan to a cash balance  
4           plan.

5           “(ii) A plan amendment shall not be treated as  
6           an applicable plan amendment with respect to any  
7           participant who is eligible to continue to accrue bene-  
8           fits in the same manner as under the terms of the  
9           plan in effect before the amendment.

10          “(iii) If the benefits of 2 or more defined benefit  
11          plans established or maintained by an employer are  
12          coordinated in such a manner as to have the effect of  
13          the adoption of an amendment described in clause (i),  
14          the sponsor of the defined benefit plan or plans pro-  
15          viding for such coordination shall be treated as hav-  
16          ing adopted such a plan amendment as of the date  
17          such coordination begins.

18          “(iv) The Secretary of the Treasury shall issue  
19          regulations to prevent the avoidance of the purposes  
20          of this paragraph through the use of 2 or more plan  
21          amendments rather than a single amendment.

22          “(D) For purposes of this paragraph—

23               “(i) The term ‘cash balance plan’ means a de-  
24               fined benefit plan under which the accrued benefit is

1       *determined as an amount other than an annual ben-*  
2       *efit commencing at normal retirement age.*

3           “(ii) *The Secretary of the Treasury shall issue*  
4       *regulations which provide that a defined benefit plan*  
5       *(or any portion of such a plan) which has an effect*  
6       *similar to a plan described in clause (i) shall be*  
7       *treated as a cash balance plan. Such regulations may*  
8       *provide that if a plan sponsor represents in commu-*  
9       *nications to participants and beneficiaries that a*  
10       *plan amendment results in a plan being described in*  
11       *the preceding sentence, such plan shall be treated as*  
12       *a cash balance plan.*

13          “(E) *If a plan amendment is not treated as an appli-*  
14       *cable plan amendment with respect to any participant be-*  
15       *cause such participant is eligible to continue to accrue bene-*  
16       *fits in the same manner as under the terms of the plan*  
17       *in effect before the amendment, the Secretary shall prescribe*  
18       *regulations under which the plan shall be treated as meeting*  
19       *the requirements of subparagraph (A), (B), or (C) of section*  
20       *204(b)(1) if such requirements are met separately with re-*  
21       *spect to each benefit accrual formula under the terms of the*  
22       *plan.”*

23           (2) *ASSUMPTIONS USED IN COMPUTING PRESENT*  
24       *VALUE OF ACCRUED BENEFIT.—*

1                   (A) *BENEFITS ACCRUED BEFORE CASH BAL-*  
2                   *ANCE CONVERSION.—Section 205(g)(3) of such*  
3                   *Act (29 U.S.C. 1055(g)(3)) is amended—*

4                   (i) by inserting “or (C)” after “sub-  
5                   paragraph (B)” in subparagraph (A)(i),  
6                   and

7                   (ii) by adding at the end the following  
8                   new subparagraph:

9                   “(C) *For purposes of determining the amount initially*  
10                  *credited to the participant’s accumulation account (or its*  
11                  *equivalent) under section 204(g)(4)(B) after adoption of an*  
12                  *applicable plan amendment (as defined in section*  
13                  *204(g)(4)(C)), the present value of the accrued benefit of*  
14                  *any participant described in section 204(g)(4)(A)(i) for*  
15                  *years of service before the effective date of the amendment*  
16                  *shall not be less than the greater of—*

17                  “(i) *the present value determined by using the*  
18                  *applicable mortality table and the applicable interest*  
19                  *rate under paragraph (1) which are in effect under*  
20                  *the plan on such effective date, or*

21                  “(ii) *the amount of the lump sum distribution*  
22                  *payable as of such effective date, determined as if the*  
23                  *individual were entitled to the distribution and under*  
24                  *the terms of the plan as in effect immediately before*  
25                  *such effective date, but not taking into account any*

1        *early retirement benefit or retirement-type subsidy*  
2        *(within the meaning of section 204(g)(2)(A)).”*

3                    *(B) INTEREST RATE ASSUMPTION FOR CASH*  
4        *BALANCE PLANS.—Section 205(g)(3) of such Act*  
5        *(29 U.S.C. 1055(g)(3)), as amended by subpara-*  
6        *graph (A), is amended—*

7                    *(i) by striking “or (C)” in subpara-*  
8                    *graph (A)(i) and inserting “, (C), or (D)”,*  
9                    *and*

10                   *(ii) by adding at the end the following*  
11                   *new subparagraph:*

12        *“(D) Except as provided in regulations prescribed by*  
13        *the Secretary of the Treasury, in the case of a cash balance*  
14        *plan (as defined in section 204(g)(4)(D)), the present value*  
15        *of the accrued benefit of any participant shall, for purposes*  
16        *of paragraphs (1) and (2), be equal to the balance in the*  
17        *participant’s accumulation account (or its equivalent) as*  
18        *of the time the present value determination is being made.*  
19        *This subparagraph shall not apply to any portion of the*  
20        *accrued benefit described in section 204(g)(4)(A)(i) except*  
21        *to the extent the plan meets the requirements of section*  
22        *204(g)(4)(B) with respect to such portion.”*

23                   *(c) NO INFERENCE.—Nothing in the amendments*  
24        *made by this section shall be construed to infer the proper*  
25        *treatment of cash balance plans or conversions to cash bal-*

1 *ance plans under the laws in effect before such amendments*  
2 *or under laws not affected by such amendments.*

3 *(d) REGULATIONS RELATING TO EARLY RETIREMENT*  
4 *SUBSIDIES.—The Secretary of the Treasury or his delegate*  
5 *shall, not later than 1 year after the date of the enactment*  
6 *of this Act, issue the regulations relating to early retirement*  
7 *benefits or retirement-type subsidies described in section*  
8 *411(d)(6)(B)(i) of the Internal Revenue Code of 1986 and*  
9 *section 204(g)(2)(A) of the Employee Retirement Income*  
10 *Security Act of 1974.*

11 **SEC. 523. EFFECTIVE DATES.**

12 *(a) IN GENERAL.—The amendments made by this sub-*  
13 *title shall apply to plan amendments taking effect on or*  
14 *after the date of the enactment of this Act.*

15 *(b) SPECIAL RULE FOR COLLECTIVELY BARGAINED*  
16 *PLANS.—In the case of a plan maintained pursuant to 1*  
17 *or more collective bargaining agreements between employee*  
18 *representatives and 1 or more employers ratified by the date*  
19 *of the enactment of this Act, the amendments made by this*  
20 *subtitle shall not apply to plan amendments taking effect*  
21 *before the earlier of—*

22 *(1) the later of—*

23 *(A) the date on which the last of such collec-*  
24 *tive bargaining agreements terminates (deter-*



1           mined without regard to any extension thereof on  
2           or after such date of enactment), or

3                   (B) January 1, 2001, or

4                   (2) January 1, 2003.

5       (c) *SPECIAL NOTICE RULES.*—

6           (1) *IN GENERAL.*—The period for providing any  
7       notice required by the amendments made by section  
8       521 shall not end before the date which is 3 months  
9       after the date of the enactment of this Act.

10          (2) *REASONABLE NOTICE.*—The amendments  
11       made by section 521 shall not apply to any plan  
12       amendment taking effect on or after the date of enact-  
13       ment of this Act if, before September 5, 2000, notice  
14       was provided to participants and beneficiaries ad-  
15       versely affected by the plan amendment (or their rep-  
16       resentatives) which was reasonably expected to notify  
17       them of the nature and effective date of the plan  
18       amendment.

19                   **TITLE VI—REDUCING**  
20                   **REGULATORY BURDENS**

21       **SEC. 601. MODIFICATION OF TIMING OF PLAN VALUATIONS.**

22          (a) *IN GENERAL.*—Paragraph (9) of section 412(c)(9)  
23       (relating to annual valuation) is amended to read as fol-  
24       lows:

25                   “(9) *ANNUAL VALUATION.*—

1           “(A) *IN GENERAL.*—For purposes of this  
2           *section, a determination of experience gains and*  
3           *losses and a valuation of the plan’s liability*  
4           *shall be made not less frequently than once every*  
5           *year, except that such determination shall be*  
6           *made more frequently to the extent required in*  
7           *particular cases under regulations prescribed by*  
8           *the Secretary.*

9           “(B) *VALUATION DATE.*—

10           “(i) *CURRENT YEAR.*—Except as pro-  
11           *vided in clause (ii), the valuation referred*  
12           *to in subparagraph (A) shall be made as of*  
13           *a date within the plan year to which the*  
14           *valuation refers or within one month prior*  
15           *to the beginning of such year.*

16           “(ii) *ELECTION TO USE PRIOR YEAR*  
17           *VALUATION.*—The valuation referred to in  
18           *subparagraph (A) may be made as of a date*  
19           *within the plan year prior to the year to*  
20           *which the valuation refers if—*

21                   “(I) *an election is in effect under*  
22                   *this clause with respect to the plan,*  
23                   *and*

24                   “(II) *as of such date, the value of*  
25                   *the assets of the plan are not less than*

1                   125 percent of the plan's current liabil-  
2                   ity (as defined in paragraph (7)(B)).

3                   “(iii)     *ADJUSTMENTS.*—Information  
4                   under clause (ii) shall, in accordance with  
5                   regulations, be actuarially adjusted to re-  
6                   flect significant differences in participants.

7                   “(iv)   *ELECTION.*—An election under  
8                   clause (ii), once made, shall be irrevocable  
9                   without the consent of the Secretary.”.

10               (b) *AMENDMENTS TO ERISA.*—Paragraph (9) of sec-  
11               tion 302(c) of the Employee Retirement Income Security  
12               Act of 1974 (29 U.S.C. 1053(c)) is amended—

13                   (1) by inserting “(A)” after “(9)”, and

14                   (2) by adding at the end the following:

15               “(B)(i) Except as provided in clause (ii), if, for any  
16               plan year—

17                   “(I) an election is in effect under this subpara-  
18                   graph with respect to a plan, and

19                   “(II) the assets of the plan are not less than 125  
20                   percent of the plan's current liability (as defined in  
21                   paragraph (7)(B)), determined as of the valuation  
22                   date for the preceding plan year,

23               then this section shall be applied using the information  
24               available as of such valuation date.



1                               “(I) payable as provided in clause  
2                               (i) or (ii), or  
3                               “(II) paid to the plan and rein-  
4                               vested in qualifying employer securi-  
5                               ties, or”.

6               (b) *EFFECTIVE DATE.*—The amendments made by this  
7 section shall apply to taxable years beginning after Decem-  
8 ber 31, 2000.

9   **SEC. 603. REPEAL OF TRANSITION RULE RELATING TO CER-**  
10                               **TAIN HIGHLY COMPENSATED EMPLOYEES.**

11               (a) *IN GENERAL.*—Paragraph (4) of section 1114(c)  
12 of the Tax Reform Act of 1986 is hereby repealed.

13               (b) *EFFECTIVE DATE.*—The repeal made by subsection  
14 (a) shall apply to plan years beginning after December 31,  
15 2000.

16   **SEC. 604. EMPLOYEES OF TAX-EXEMPT ENTITIES.**

17               (a) *IN GENERAL.*—The Secretary of the Treasury shall  
18 modify Treasury Regulations section 1.410(b)–6(g) to pro-  
19 vide that employees of an organization described in section  
20 403(b)(1)(A)(i) of the Internal Revenue Code of 1986 who  
21 are eligible to make contributions under section 403(b) of  
22 such Code pursuant to a salary reduction agreement may  
23 be treated as excludable with respect to a plan under section  
24 401(k) or (m) of such Code that is provided under the same

1 *general arrangement as a plan under such section 401(k),*  
2 *if—*

3 *(1) no employee of an organization described in*  
4 *section 403(b)(1)(A)(i) of such Code is eligible to par-*  
5 *ticipate in such section 401(k) plan or section 401(m)*  
6 *plan; and*

7 *(2) 95 percent of the employees who are not em-*  
8 *ployees of an organization described in section*  
9 *403(b)(1)(A)(i) of such Code are eligible to partici-*  
10 *pate in such plan under such section 401(k) or (m).*

11 *(b) EFFECTIVE DATE.—The modification required by*  
12 *subsection (a) shall apply as of the same date set forth in*  
13 *section 1426(b) of the Small Business Job Protection Act*  
14 *of 1996.*

15 **SEC. 605. CLARIFICATION OF TREATMENT OF EMPLOYER-**  
16 **PROVIDED RETIREMENT ADVICE.**

17 *(a) IN GENERAL.—Subsection (a) of section 132 (relat-*  
18 *ing to exclusion from gross income) is amended by striking*  
19 *“or” at the end of paragraph (5), by striking the period*  
20 *at the end of paragraph (6) and inserting “, or”, and by*  
21 *adding at the end the following new paragraph:*

22 *“(7) qualified retirement planning services.”.*

23 *(b) QUALIFIED RETIREMENT PLANNING SERVICES DE-*  
24 *FINED.—Section 132 is amended by redesignating sub-*

1 *section (m) as subsection (n) and by inserting after sub-*  
2 *section (l) the following:*

3       “(m) *QUALIFIED RETIREMENT PLANNING SERV-*  
4 *ICES.—*

5               “(1) *IN GENERAL.—For purposes of this section,*  
6 *the term ‘qualified retirement planning services’*  
7 *means any retirement planning advice or informa-*  
8 *tion provided to an employee and his spouse by an*  
9 *employer maintaining a qualified employer plan.*

10              “(2) *NONDISCRIMINATION RULE.—Subsection*  
11 *(a)(7) shall apply in the case of highly compensated*  
12 *employees only if such services are available on sub-*  
13 *stantially the same terms to each member of the group*  
14 *of employees normally provided education and infor-*  
15 *mation regarding the employer’s qualified employer*  
16 *plan.*

17              “(3) *QUALIFIED EMPLOYER PLAN.—For purposes*  
18 *of this subsection, the term ‘qualified employer plan’*  
19 *means a plan, contract, pension, or account described*  
20 *in section 219(g)(5).”.*

21              “(c) *EFFECTIVE DATE.—The amendments made by this*  
22 *section shall apply to years beginning after December 31,*  
23 *2000.*

1 **SEC. 606. REPORTING SIMPLIFICATION.**

2 (a) *SIMPLIFIED ANNUAL FILING REQUIREMENT FOR*  
3 *OWNERS AND THEIR SPOUSES.—*

4 (1) *IN GENERAL.—The Secretary of the Treasury*  
5 *shall modify the requirements for filing annual re-*  
6 *turns with respect to one-participant retirement plans*  
7 *to ensure that such plans with assets of \$250,000 or*  
8 *less as of the close of the plan year need not file a*  
9 *return for that year.*

10 (2) *ONE-PARTICIPANT RETIREMENT PLAN DE-*  
11 *FINED.—For purposes of this subsection, the term*  
12 *“one-participant retirement plan” means a retire-*  
13 *ment plan that—*

14 (A) *on the first day of the plan year—*

15 (i) *covered only the employer (and the*  
16 *employer’s spouse) and the employer owned*  
17 *the entire business (whether or not incor-*  
18 *porated); or*

19 (ii) *covered only one or more partners*  
20 *(and their spouses) in a business partner-*  
21 *ship (including partners in an S or C cor-*  
22 *poration);*

23 (B) *meets the minimum coverage require-*  
24 *ments of section 410(b) of the Internal Revenue*  
25 *Code of 1986 without being combined with any*



1           *other plan of the business that covers the employ-*  
2           *ees of the business;*

3           *(C) does not provide benefits to anyone ex-*  
4           *cept the employer (and the employer's spouse) or*  
5           *the partners (and their spouses);*

6           *(D) does not cover a business that is a*  
7           *member of an affiliated service group, a con-*  
8           *trolled group of corporations, or a group of busi-*  
9           *nesses under common control; and*

10           *(E) does not cover a business that leases em-*  
11           *ployees.*

12           *(3) OTHER DEFINITIONS.—Terms used in para-*  
13           *graph (2) which are also used in section 414 of the*  
14           *Internal Revenue Code of 1986 shall have the respec-*  
15           *tive meanings given such terms by such section.*

16           *(b) EFFECTIVE DATE.—The provisions of this section*  
17           *shall take effect on January 1, 2001.*

18   **SEC. 607. IMPROVEMENT OF EMPLOYEE PLANS COMPLI-**  
19           **ANCE RESOLUTION SYSTEM.**

20           *The Secretary of the Treasury shall continue to update*  
21           *and improve the Employee Plans Compliance Resolution*  
22           *System (or any successor program) giving special attention*  
23           *to—*

1           (1) *increasing the awareness and knowledge of*  
2           *small employers concerning the availability and use*  
3           *of the program;*

4           (2) *taking into account special concerns and cir-*  
5           *cumstances that small employers face with respect to*  
6           *compliance and correction of compliance failures;*

7           (3) *extending the duration of the self-correction*  
8           *period under the Administrative Policy Regarding*  
9           *Self-Correction for significant compliance failures;*

10          (4) *expanding the availability to correct insig-*  
11          *nificant compliance failures under the Administrative*  
12          *Policy Regarding Self-Correction during audit; and*

13          (5) *assuring that any tax, penalty, or sanction*  
14          *that is imposed by reason of a compliance failure is*  
15          *not excessive and bears a reasonable relationship to*  
16          *the nature, extent, and severity of the failure.*

17   **SEC. 608. REPEAL OF THE MULTIPLE USE TEST.**

18          (a) *IN GENERAL.*—*Paragraph (9) of section 401(m) is*  
19          *amended to read as follows:*

20               “(9) *REGULATIONS.*—*The Secretary shall pre-*  
21               *scribe such regulations as may be necessary to carry*  
22               *out the purposes of this subsection and subsection (k),*  
23               *including regulations permitting appropriate aggre-*  
24               *gation of plans and contributions.”.*

1       (b) *EFFECTIVE DATE.*—*The amendment made by this*  
2 *section shall apply to years beginning after December 31,*  
3 *2000.*

4 **SEC. 609. FLEXIBILITY IN NONDISCRIMINATION, COV-**  
5 **ERAGE, AND LINE OF BUSINESS RULES.**

6       (a) *NONDISCRIMINATION.*—

7           (1) *IN GENERAL.*—*The Secretary of the Treasury*  
8 *shall, by regulation, provide that a plan shall be*  
9 *deemed to satisfy the requirements of section*  
10 *401(a)(4) of the Internal Revenue Code of 1986 if*  
11 *such plan satisfies the facts and circumstances test*  
12 *under section 401(a)(4) of such Code, as in effect be-*  
13 *fore January 1, 1994, but only if—*

14           (A) *the plan satisfies conditions prescribed*  
15 *by the Secretary to appropriately limit the*  
16 *availability of such test; and*

17           (B) *the plan is submitted to the Secretary*  
18 *for a determination of whether it satisfies such*  
19 *test.*

20 *Subparagraph (B) shall only apply to the extent pro-*  
21 *vided by the Secretary.*

22       (2) *EFFECTIVE DATES.*—

23           (A) *REGULATIONS.*—*The regulation re-*  
24 *quired by paragraph (1) shall apply to years be-*  
25 *ginning after December 31, 2001.*

1           (B) *CONDITIONS OF AVAILABILITY.*—Any  
2           condition of availability prescribed by the Sec-  
3           retary under paragraph (1)(A) shall not apply  
4           before the first year beginning not less than 120  
5           days after the date on which such condition is  
6           prescribed.

7           (b) *COVERAGE TEST.*—

8           (1) *IN GENERAL.*—Section 410(b)(1) (relating to  
9           minimum coverage requirements) is amended by add-  
10          ing at the end the following:

11           “(D) In the case that the plan fails to meet  
12          the requirements of subparagraphs (A), (B) and  
13          (C), the plan—

14           “(i) satisfies subparagraph (B), as in  
15          effect immediately before the enactment of  
16          the Tax Reform Act of 1986,

17           “(ii) is submitted to the Secretary for  
18          a determination of whether it satisfies the  
19          requirement described in clause (i), and

20           “(iii) satisfies conditions prescribed by  
21          the Secretary by regulation that appro-  
22          priately limit the availability of this sub-  
23          paragraph.

24          Clause (ii) shall apply only to the extent pro-  
25          vided by the Secretary.”.

1           (2) *EFFECTIVE DATES.*—

2                   (A) *IN GENERAL.*—*The amendment made*  
3           *by paragraph (1) shall apply to years beginning*  
4           *after December 31, 2001.*

5                   (B) *CONDITIONS OF AVAILABILITY.*—*Any*  
6           *condition of availability prescribed by the Sec-*  
7           *retary under regulations prescribed by the Sec-*  
8           *retary under section 410(b)(1)(D) of the Internal*  
9           *Revenue Code of 1986 shall not apply before the*  
10          *first year beginning not less than 120 days after*  
11          *the date on which such condition is prescribed.*

12          (c) *LINE OF BUSINESS RULES.*—*The Secretary of the*  
13          *Treasury shall, on or before December 31, 2001, modify the*  
14          *existing regulations issued under section 414(r) of the Inter-*  
15          *nal Revenue Code of 1986 in order to expand (to the extent*  
16          *that the Secretary determines appropriate) the ability of*  
17          *a pension plan to demonstrate compliance with the line of*  
18          *business requirements based upon the facts and cir-*  
19          *cumstances surrounding the design and operation of the*  
20          *plan, even though the plan is unable to satisfy the mechan-*  
21          *ical tests currently used to determine compliance.*

1 **SEC. 610. EXTENSION TO ALL GOVERNMENTAL PLANS OF**  
2 **MORATORIUM ON APPLICATION OF CERTAIN**  
3 **NONDISCRIMINATION RULES APPLICABLE TO**  
4 **STATE AND LOCAL PLANS.**

5 (a) *IN GENERAL.*—

6 (1) *Subparagraph (G) of section 401(a)(5) and*  
7 *subparagraph (H) of section 401(a)(26) are each*  
8 *amended by striking “section 414(d))” and all that*  
9 *follows and inserting “section 414(d)).”.*

10 (2) *Subparagraph (G) of section 401(k)(3) and*  
11 *paragraph (2) of section 1505(d) of the Taxpayer Re-*  
12 *lief Act of 1997 are each amended by striking “main-*  
13 *tained by a State or local government or political*  
14 *subdivision thereof (or agency or instrumentality*  
15 *thereof)”.*

16 (b) *CONFORMING AMENDMENTS.*—

17 (1) *The heading for subparagraph (G) of section*  
18 *401(a)(5) is amended to read as follows: “GOVERN-*  
19 *MENTAL PLANS”.*

20 (2) *The heading for subparagraph (H) of section*  
21 *401(a)(26) is amended to read as follows: “EXCEP-*  
22 *TION FOR GOVERNMENTAL PLANS”.*

23 (3) *Subparagraph (G) of section 401(k)(3) is*  
24 *amended by inserting “GOVERNMENTAL PLANS.—”*  
25 *after “(G)”.*

1       (c) *EFFECTIVE DATE.*—*The amendments made by this*  
2 *section shall apply to years beginning after December 31,*  
3 *2000.*

4 **SEC. 611. NOTICE AND CONSENT PERIOD REGARDING DIS-**  
5 **TRIBUTIONS.**

6       (a) *EXPANSION OF PERIOD.*—

7           (1) *IN GENERAL.*—*Subparagraph (A) of section*  
8 *417(a)(6) is amended by striking “90-day” and in-*  
9 *serting “180-day”.*

10          (2) *MODIFICATION OF REGULATIONS.*—*The Sec-*  
11 *retary of the Treasury shall modify the regulations*  
12 *under sections 402(f), 411(a)(11), and 417 of the In-*  
13 *ternal Revenue Code of 1986 to substitute “180 days”*  
14 *for “90 days” each place it appears in Treasury Reg-*  
15 *ulations sections 1.402(f)–1, 1.411(a)–11(c), and*  
16 *1.417(e)–1(b).*

17          (3) *EFFECTIVE DATE.*—*The amendment made by*  
18 *paragraph (1) and the modifications required by*  
19 *paragraph (2) shall apply to years beginning after*  
20 *December 31, 2000.*

21       (b) *CONSENT REGULATION INAPPLICABLE TO CERTAIN*  
22 *DISTRIBUTIONS.*—

23           (1) *IN GENERAL.*—*The Secretary of the Treasury*  
24 *shall modify the regulations under section 411(a)(11)*  
25 *of the Internal Revenue Code of 1986 to provide that*

1       *the description of a participant's right, if any, to*  
2       *defer receipt of a distribution shall also describe the*  
3       *consequences of failing to defer such receipt.*

4               (2) *EFFECTIVE DATE.*—*The modifications re-*  
5       *quired by paragraph (1) shall apply to years begin-*  
6       *ning after December 31, 2000.*

7       (c) *DISCLOSURE OF OPTIONAL FORMS OF BENE-*  
8       *FITS.*—

9               (1) *AMENDMENT OF INTERNAL REVENUE*  
10       *CODE.*—*Section 417(a)(3) (relating to plan to provide*  
11       *written explanation) is amended by adding at the end*  
12       *the following:*

13                       “(C) *EXPLANATION OF OPTIONAL FORMS OF*  
14       *BENEFITS.*—

15                               “(i) *IN GENERAL.*—*If—*

16                                       “(I) *a plan provides optional*  
17                               *forms of benefits, and*

18                                       “(II) *the present values of such*  
19                               *forms of benefits are not actuarially*  
20                               *equivalent as of the annuity starting*  
21                               *date,*

22                       *then each written explanation required to be*  
23                       *provided under subparagraph (A) shall in-*  
24                       *clude the information described in clause*  
25                       *(ii).*



1                   “(ii) *INFORMATION.*—A plan to which  
2                   this subparagraph applies shall include suf-  
3                   ficient information (as determined in ac-  
4                   cordance with regulations prescribed by the  
5                   Secretary) to allow the participant to un-  
6                   derstand the differences in the present val-  
7                   ues of the optional forms of benefits pro-  
8                   vided by the plan and the effect the partici-  
9                   pant’s election as to the form of benefit will  
10                  have on the value of the benefits available  
11                  under the plan. Any such information shall  
12                  be provided in a manner calculated to be  
13                  reasonably understood by the average plan  
14                  participant.”

15               (2) *AMENDMENT OF ERISA.*—Section 205(c)(3) of  
16               the *Employee Retirement Income Security Act of*  
17               1974 (29 U.S.C. 1055(c)(3)) is amended by adding at  
18               the end the following:

19               “(C)(i) If—

20                   “(I) a plan provides optional forms of benefits,  
21                   and

22                   “(II) the present values of such forms of benefits  
23                   are not actuarially equivalent as of the annuity start-  
24                   ing date,

1 *then such plan shall include the information described in*  
2 *clause (ii) with each written explanation required to be pro-*  
3 *vided under subparagraph (A).*

4       “(ii) *A plan to which this subparagraph applies shall*  
5 *include sufficient information (as determined in accordance*  
6 *with regulations prescribed by the Secretary of the Treas-*  
7 *ury) to allow the participant to understand the differences*  
8 *in the present values of the optional forms of benefits pro-*  
9 *vided by the plan and the effect the participant’s election*  
10 *as to the form of benefit will have on the value of the benefits*  
11 *available under the plan. Any such information shall be*  
12 *provided in a manner calculated to be reasonably under-*  
13 *stood by the average plan participant.”*

14       (3) *EFFECTIVE DATE.*—*The amendments made*  
15 *by this subsection shall apply to years beginning after*  
16 *December 31, 2000.*

17 **SEC. 612. ANNUAL REPORT DISSEMINATION.**

18       (a) *IN GENERAL.*—*Section 104(b)(3) of the Employee*  
19 *Retirement Income Security Act of 1974 (29 U.S.C.*  
20 *1024(b)(3)) is amended by striking “shall furnish” and in-*  
21 *serting “shall make available for examination (and, upon*  
22 *request, shall furnish)”.*

23       (b) *EFFECTIVE DATE.*—*The amendment made by this*  
24 *section shall apply to reports for years beginning after De-*  
25 *cember 31, 1999.*

1 **SEC. 613. TECHNICAL CORRECTIONS TO SAVER ACT.**

2 *Section 517 of the Employee Retirement Income Secu-*  
3 *rity Act of 1974 (29 U.S.C. 1147) is amended—*

4 *(1) in subsection (a), by striking “2001 and*  
5 *2005 on or after September 1 of each year involved”*  
6 *and inserting “2001, 2005, and 2009 in the month of*  
7 *September of each year involved”;*

8 *(2) in subsection (b), by adding at the end the*  
9 *following new sentence: “To effectuate the purposes of*  
10 *this paragraph, the Secretary may enter into a coop-*  
11 *erative agreement, pursuant to the Federal Grant and*  
12 *Cooperative Agreement Act of 1977 (31 U.S.C. 6301*  
13 *et seq.), with the American Savings Education Coun-*  
14 *cil.”;*

15 *(3) in subsection (e)(2)—*

16 *(A) by striking “Committee on Labor and*  
17 *Human Resources” in subparagraph (B) and in-*  
18 *serting “Committee on Health, Education,*  
19 *Labor, and Pensions”;*

20 *(B) by striking subparagraph (D) and in-*  
21 *serting the following:*

22 *“(D) the Chairman and Ranking Member of*  
23 *the Subcommittee on Labor, Health and Human*  
24 *Services, and Education of the Committee on*  
25 *Appropriations of the House of Representatives*  
26 *and the Chairman and Ranking Member of the*

1        *Subcommittee on Labor, Health and Human*  
2        *Services, and Education of the Committee on*  
3        *Appropriations of the Senate;”;*

4                *(C) by redesignating subparagraph (G) as*  
5        *subparagraph (J); and*

6                *(D) by inserting after subparagraph (F) the*  
7        *following new subparagraphs:*

8                *“(G) the Chairman and Ranking Member of*  
9        *the Committee on Finance of the Senate;*

10               *“(H) the Chairman and Ranking Member*  
11       *of the Committee on Ways and Means of the*  
12       *House of Representatives;*

13               *“(I) the Chairman and Ranking Member of*  
14       *the Subcommittee on Employer-Employee Rela-*  
15       *tions of the Committee on Education and the*  
16       *Workforce of the House of Representatives; and”;*  
17       *(4) in subsection (e)(3)(A)—*

18               *(A) by striking “There shall be no more*  
19       *than 200 additional participants.” and inserting*  
20       *“The participants in the National Summit shall*  
21       *also include additional participants appointed*  
22       *under this subparagraph.”;*

23               *(B) by striking “one-half shall be appointed*  
24       *by the President,” in clause (i) and inserting*  
25       *“not more than 100 participants shall be ap-*

1           *pointed under this clause by the President,”, and*  
2           *by striking “and” at the end of clause (i);*

3           *(C) by striking “one-half shall be appointed*  
4           *by the elected leaders of Congress” in clause (ii)*  
5           *and inserting “not more than 100 participants*  
6           *shall be appointed under this clause by the elect-*  
7           *ed leaders of Congress”, and by striking the pe-*  
8           *riod at the end of clause (ii) and inserting “;*  
9           *and”; and*

10           *(D) by adding at the end the following new*  
11           *clause:*

12                   *“(iii) The President, in consultation*  
13                   *with the elected leaders of Congress referred*  
14                   *to in subsection (a), may appoint under*  
15                   *this clause additional participants to the*  
16                   *National Summit. The number of such ad-*  
17                   *ditional participants appointed under this*  
18                   *clause may not exceed the lesser of 3 percent*  
19                   *of the total number of all additional par-*  
20                   *ticipants appointed under this paragraph,*  
21                   *or 10. Such additional participants shall be*  
22                   *appointed from persons nominated by the*  
23                   *organization referred to in subsection (b)(2)*  
24                   *which is made up of private sector busi-*  
25                   *nesses and associations partnered with Gov-*

1                    *ernment entities to promote long term fi-*  
2                    *nancial security in retirement through sav-*  
3                    *ings and with which the Secretary is re-*  
4                    *quired thereunder to consult and cooperate*  
5                    *and shall not be Federal, State, or local gov-*  
6                    *ernment employees.”;*

7                    *(5) in subsection (e)(3)(B), by striking “January*  
8                    *31, 1998” in subparagraph (B) and inserting “May*  
9                    *1, 2001, May 1, 2005, and May 1, 2009, for each of*  
10                   *the subsequent summits, respectively”;*

11                   *(6) in subsection (f)(1)(C), by inserting “, no*  
12                   *later than 90 days prior to the date of the commence-*  
13                   *ment of the National Summit,” after “comment” in*  
14                   *paragraph (1)(C);*

15                   *(7) in subsection (g), by inserting “, in consulta-*  
16                   *tion with the congressional leaders specified in sub-*  
17                   *section (e)(2),” after “report”;*

18                   *(8) in subsection (i)—*

19                   *(A) by striking “beginning on or after Octo-*  
20                   *ber 1, 1997” in paragraph (1) and inserting*  
21                   *“2001, 2005, and 2009”; and*

22                   *(B) by adding at the end the following new*  
23                   *paragraph:*

24                   *“(3) RECEPTION AND REPRESENTATION AUTHOR-*  
25                   *ITY.—The Secretary is hereby granted reception and*

1 representation authority limited specifically to the  
2 events at the National Summit. The Secretary shall  
3 use any private contributions received in connection  
4 with the National Summit prior to using funds ap-  
5 propriated for purposes of the National Summit pur-  
6 suant to this paragraph.”; and

7 (9) in subsection (k)—

8 (A) by striking “shall enter into a contract  
9 on a sole-source basis” and inserting “may enter  
10 into a contract on a sole-source basis”; and

11 (B) by striking “fiscal year 1998” and in-  
12 serting “fiscal years 2001, 2005, and 2009”.

13 **SEC. 614. STUDIES.**

(a) *REPORT ON PENSION COVERAGE.*—Not later than 5 years after the date of the enactment of this Act, the Secretary of the Treasury shall submit a report to the Committee on Ways and Means of the House of Representatives and the Committee on Finance of the Senate a report on the effect of the provisions of the Retirement Security and Savings Act of 2000 on pension coverage, including—

(1) any expansion of coverage for low- and mid-  
dle-income workers;

23                   (2) *levels of pension benefits;*

24 (3) *quality of pension coverage;*

1           (4) *worker's access to and participation in*  
2     *plans; and*

3           (5) *retirement security.*

4     (b) *STUDY OF PRE-RETIREMENT USE OF BENEFITS.—*

5           (1) *IN GENERAL.—The Secretary of the Treasury*  
6     *shall conduct a study of—*

7           (A) *current tax provisions allowing individ-*  
8     *uals to access individual retirement plans and*  
9     *qualified retirement plan benefits of such indi-*  
10    *vidual prior to retirement, including an analysis*  
11    *of—*

12           (i) *the extent of use of such current*  
13    *provisions by individuals; and*

14           (ii) *the extent to which such provisions*  
15    *undermine the goal of accumulating ade-*  
16    *quate resources for retirement; and*

17           (B) *the types of investment decisions made*  
18    *by individual retirement plan beneficiaries and*  
19    *participants in self-directed qualified retirement*  
20    *plans, including an analysis of—*

21           (i) *current restrictions on investments;*  
22    *and*

23           (ii) *the extent to which additional re-*  
24    *strictions on investments would facilitate*



1                   *the accumulation of adequate income for re-*  
2                   *tirement.*

3                   (2) *REPORT.*—*Not later than January 1, 2002,*  
4                   *the Secretary of the Treasury shall submit a report to*  
5                   *the Committee on Ways and Means of the House of*  
6                   *Representatives and the Committee on Finance of the*  
7                   *Senate containing the results of the study conducted*  
8                   *under paragraph (1) and any recommendations.*

9                   ***TITLE VII—PLAN AMENDMENTS***

10                  ***SEC. 701. PROVISIONS RELATING TO PLAN AMENDMENTS.***

11                  (a) *IN GENERAL.*—*If this section applies to any plan*  
12                  *or contract amendment, such plan or contract shall be treat-*  
13                  *ed as being operated in accordance with the terms of the*  
14                  *plan during the period described in subsection (b)(2)(A).*

15                  (b) *AMENDMENTS TO WHICH SECTION APPLIES.*—

16                         (1) *IN GENERAL.*—*This section shall apply to*  
17                         *any amendment to any plan or annuity contract*  
18                         *which is made—*

19                                 (A) *pursuant to any amendment made by*  
20                                 *this Act, or pursuant to any regulation issued*  
21                                 *under this Act, and*

22                                 (B) *on or before the last day of the first*  
23                                 *plan year beginning on or after January 1,*  
24                                 *2003.*

1       *In the case of a governmental plan (as defined in sec-*  
2       *tion 414(d) of the Internal Revenue Code of 1986),*  
3       *this paragraph shall be applied by substituting*  
4       *“2005” for “2003”.*

5               (2) *CONDITIONS.—This section shall not apply to*  
6       *any amendment unless—*

7                       (A) *during the period—*

8                               (i) *beginning on the date the legislative*  
9                               *or regulatory amendment described in para-*  
10                              *graph (1)(A) takes effect (or in the case of*  
11                              *a plan or contract amendment not required*  
12                              *by such legislative or regulatory amend-*  
13                              *ment, the effective date specified by the*  
14                              *plan); and*

15                             (ii) *ending on the date described in*  
16                             *paragraph (1)(B) (or, if earlier, the date the*  
17                             *plan or contract amendment is adopted),*  
18       *the plan or contract is operated as if such plan*  
19       *or contract amendment were in effect; and*

20                       (B) *such plan or contract amendment ap-*  
21       *plies retroactively for such period.*

1    ***TITLE VIII—COMPLIANCE WITH***  
2                   ***BUDGET ACT.***

3    ***SEC. 801. COMPLIANCE WITH BUDGET ACT.***

4           *The amendments made by this Act shall not apply to*  
5    *any taxable year beginning after December 31, 2004.*

Amend the title so as to read: “An Act to provide  
for reconciliation pursuant to section 104(2) of the con-  
current resolution on the budget for fiscal year 2001.”.